

UNIVERSITY OF PENNSYLVANIA  
The Wharton School

Finance 100  
Fall 2014

A. Craig MacKinlay  
3255 SH-DH

## CORPORATE FINANCE

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**Course Web Page:** <http://finance.wharton.upenn.edu/~acmack>

### Course Description:

The purpose of this course is to introduce techniques of financial analysis, with emphasis on topics in the corporate finance area. The concepts developed in Finance 100 form the foundation for all elective finance courses. The main topics covered include (1) the time value of money and the net present value rule; (2) valuation of bonds and stocks; (3) principles of capital budgeting; (4) uncertainty and the tradeoff between risk and return; (5) corporate financing and dividend policy decisions; and (6) capital budgeting decisions under uncertainty.

### Course Materials:

#### Required:

S. Ross, R. Westerfield and J. Jaffe, Corporate Finance, 10<sup>th</sup> Edition, McGraw-Hill Irwin, 2013. (Referred to as RWJ in course outline.) [Available as a paperback with selected chapters.]

Sample exams with solutions (available online).

A scientific or business calculator. (It will be necessary for your calculator to have a  $x^y$  function.)

Student Solutions Manual for RWJ. (Not required but very useful.)

#### Optional:

R. Brealey, S. Myers, and F. Allen, Principles of Corporate Finance, 11<sup>th</sup> Edition, McGraw-Hill Irwin, 2014. (Referred to as BMA in course outline.)

T. Koller, M. Goedhart, and D. Wessels, Valuation: Measuring and Managing the Values of Companies (5<sup>th</sup> Edition), McKinsey and Company, 2010, published by John Wiley and Sons, Hoboken, New Jersey.

D. Kieso, J. Weygandt, and T. Warfield, Intermediate Accounting, John Wiley and Sons, 2012.

**Evaluation:**

The course grade will be based on two midterm exams, a final exam, and two assignments (to be handed in). The weightings are:

Maximum of Midterm I and Midterm II	10%
Midterm Exam II	35%
Final Exam	45%
Assignments	10%

The first midterm exam is not optional. Failure to take this exam will result in a score of zero for the 10% allocated to the maximum of midterms I and II.

**Schedule of Exams:**

Midterm Exam I	Thursday, October 2, in class
Midterm Exam II	Thursday, November 6, in class
Final Exam	Friday, December 12, 6:00 pm to 8:00 pm

Please note that there will not be any make-up exams except as required by university policy.

**Regrading Policy:**

All regrade requests must be made in writing within one week of the day the exams are returned. Any exam submitted for regrading of a question can be subjected to a complete regrading.

**Office Hours:**

My weekly scheduled office hours will be on Tuesdays from 3:45 to 4:45 (except September 9). Any week this time needs to be adjusted will be announced in advance.

The course teaching assistants will also have office hours scheduled throughout the week. Their schedule will be posted on the course web page.

**Course Outline:****I. Introduction.**

*Readings:* RWJ Chapters 1\*, 2\*, and 3\*  
[BMA Chapter 1]

**II. The Time Value of Money and NPV.**

*Readings:* RWJ Chapters 4, 8, and 9  
RWJ (8<sup>th</sup> edition) Appendix pages 5A-1 to 5A-3 (posted online)  
[BMA Chapters 2 – 4]

**III. Principles of Capital Budgeting.**

*Readings:* RWJ Chapters 5, 6, and 7\*  
[BMA Chapters 5 – 6]

**IV. Uncertainty and Financial Decisions.**

*Readings:* RWJ Chapters 10, 11, and 12\*  
[BMA Chapters 7 – 8]

**V. Capital Budgeting Under Uncertainty.**

*Readings:* RWJ Chapter 13  
[BMA Chapter 9]

**VI. Market Efficiency.**

*Readings:* RWJ Chapter 14  
[BMA Chapter 13]

**VII. Corporate Financing and Capital Structure.**

*Readings:* RWJ Chapters 15, 16, and 17.  
[BMA Chapters 14, 15, 17, and 18]

**VIII. Valuation and Capital Budgeting.**

*Readings:* RWJ Chapters 18  
[BMA chapter 19]

**IX. Dividend Policy.**

*Readings:* RWJ Chapter 19  
[BMA Chapter 16]

**X. Valuation of Options. (Optional topic)**

*Readings:* RWJ Chapters 22\* and 23\*  
[BMA Chapters 20 – 21]

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\* Optional reading.

Additional readings will be posted online or distributed in class.