

Corporate Finance Syllabus - Summer 2009
As of June 8, 2009

Course Information:

Times: M-Thurs from 4:20-5:55PM

Location: SHDH 211

Professor:

Name: Ronel Elul

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URL: <http://finance.wharton.upenn.edu/~elul/corpfin> (& also
<http://webcafe.wharton.upenn.edu/fnce>)

Office: TBA

Office Hours: Most days, after class.

TA: Michael Michaux (email: michauxm@wharton.upenn.edu)

Office Hours: TBA

Course Description: This course is introduction to Corporate Finance. It will cover some of the theory and practice of decision-making within the corporation, as well as assorted other topics; we will not attempt to cover the whole of this vast subject. Basic courses in Microeconomics and Statistics are *prerequisites*. Introductory accounting is also needed but may be taken concurrently.

Reading Material: The main reference for this course will be the packet of slides and class notes, which you should purchase from Wharton Reprographics and bring with you to class. In addition, the textbook for the course is the *ninth* edition of Principles of Corporate Finance, by Brealey, Myers and Allen (BMA); a detailed outline - with references to this text - is attached. You may also find the solutions manual to this textbook to be helpful; it is optional but is available in the bookstore. Finally, there is a packet of cases and other readings which you should also purchase from Wharton Reprographics. Both packets should be available in Reprographics by May 21.

Grading Policy: Your grade will be based on a midterm exam on June 10 (30%), a comprehensive final on July 1 (45%) and three cases (25%). You will work together in teams of 3-4 (but no more) on your cases, and should hand in a joint solution with all of your names on it; please note, however, that I expect that each of you will contribute to the cases. Finally, regrading requests must be submitted in writing within one week of the return of the exam or assignment; please note that any such request will subject the work to a *complete regrade*.

Corporate Finance – Tentative Course Outline

NOTE: Class starts at 5 PM on 6/16.

Case due dates are estimates and are subject to change.

Introduction

Session 1: Introduction; Types of Business Organization. Goals of the Corporation (Skim BMA 1; 2.3). Form Groups.

Session 2: How Corporations Finance Themselves (BMA 15; 24.1, 24.3, 25.1-25.5).

Session 3: Issuing Securities (BMA 16.2-16.5; Microsoft IPO article). Venture Capital (BM 16.1; Berlin article)

Capital Budgeting under Certainty

Session 4: Present Value (BMA 2.1, (skim 2.2), Ch 3, 4.1, 4.5)

Session 5: Valuing Stocks (BMA 5)

Session 6: Practical issues in capital budgeting (BMA 7.1-2.2)

Session 7: Introduction to Risk and Return in Security Markets (BMA 8.1, 8.2)

Capital Budgeting and Risk

Session 8: Mathematics of Portfolio Risk (BMA 8.3, 8.4); Atlantic Case Due

Session 9: Continued (BMA 9.1); Short-selling and buying on margin

6/9: **Midterm Review** in class – taught by Michael Michaux

6/10: *** **Midterm Exam (Covers through session 9 & Atlantic Case)** ***

Session 10: The Capital Asset Pricing Model (CAPM) (BMA 9.2-9.3)

Session 11: More on the CAPM; Capital Budgeting with the CAPM (BMA 10.1-10.2)

Session 12: Beta Management Case due. Market Efficiency (BMA 14)

Capital Structure & Related Topics

Session 13: The Modigliani-Miller Theorems on Capital Structure (BMA 18.1-18.3)

Session 14: The Tradeoff Theory of Capital Structure (BMA 19.1,19.3)

Session 15: Capital Structure with Asymmetric Information (BMA 19.4)

Session 16: Capital Budgeting and Taxes (BMA 20.1-20.4)

Session 17: Dividends - an Overview (BMA 17)

Session 18: Other Capital Budgeting Rules (BMA 6.3, 6.2 optional); Corporate Bankruptcy

Session 19: The Financial Crisis (notes to be distributed)

Session 20: Last Class - Conclusion and Review. Dixon Case Due

7/1 (Wednesday): *** **Final Exam (Covers all non-optional material)** ***