Finance 100 - Spring 2003
Corporate Finance

Course Information:
Times: MW 10:30-11:50; 1:30-2:50; 3-4:20 PM
Location: TBA

The Professor:
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Office Hours: TBA

The TA's: TBA

Review Sections: 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. Econ 001 and Statistics 101 or their equivalent are strict prerequisites. Econ 002 and Accounting 101 are also required.

Reading Material: The text for the course is the seventh edition of Principles of Corporate Finance, by R. Brealey and S. Meyers (B&M); this is the book most commonly used in MBA programs as well as by the more advanced classes in this department. A detailed outline - with references to this text - is attached. A course packet with cases and other readings is also required; it is available from Wharton Reprographics. There will also be additional handouts (primarily lecture notes) distributed throughout the course of the semester for which you will be billed (approximately $25) at the end of the semester. The latter will also be available on the course home page. Finally, you may find the solutions manual to this textbook to be helpful; it is optional but is available in the bookstore.

Grading Policy: There will be approximately four problem sets, together making up 20% of the final grade; late homework will be downgraded quite severely; tentative due-dates are given below. You will work together in teams of 3-4 (but no more) on your problem sets, 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 problem set. Both the TA’s and myself will hold office hours every week. There will also be occasional review sessions (before exams and problem set due-dates). There will be a midterm exam on March 5th (worth 30%) and a comprehensive final exam on May 8th (50%). These dates have been fixed by the registrar and cannot be changed - anyone anticipating a conflict should consider one of the other sections. 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.

Please note – there will be no class April 23rd. The last class will be April 28th (reading week).
Finance 100 – Preliminary Course Outline

Capital Budgeting under Certainty
1/13: Introduction; Types of Business Organization. What is Corporate Finance? What are the Goals of a Corporation? (Skim BM 1; 2.4-2.5). Enron and other Corporate Scandals. (Various articles)
1/22: How Securities are Issued (BM 15.2, 15.4-15.6; Microsoft IPO article). Overview of Venture Capital Financing (BM 15.1; Berlin article)
1/27: Introduction to Present Value (BM 2.1, Ch 3, p. 683-4, skim 2.2)
1/29: Continued
2/3: Valuing Stocks (BM 4)
2/5: Continued
2/10: "Fun with Discounting" - some practical issues in applying the NPV rule (BM 6.1-6.2); Sensitivity Analysis (skim BM 10.1)
2/12: Continued

Capital Budgeting and Risk
2/17: PS #1 Due (Atlantic Corp. Case). Introduction to Risk and Return in Security Markets (BM 7.1,7.2)
2/19: Mathematics of Portfolio Risk (BM 7.3,7.4)
2/24: The Capital Asset Pricing Model (CAPM) (BM 8.1-8.2)
2/26: Using the CAPM in Capital Budgeting – an Introduction (BM 9.1-9.3)
3/3: PS #2 Due (Ameritrade Case). Midterm Review.
3/5 Midterm (Covers all previous material)

Miscellaneous Topics in Capital Budgeting
3/17: Other Capital Budgeting Rules (BM 5.2-5.3; NPV of B-School handout). Equivalent Annual Cost (BM 6.3)
3/19: Decision Trees (BM 10.3); Market Efficiency and Corporate Finance (BM 13, misc. handouts)
3/24: Market Efficiency, continued.

Capital Structure & Related Topics
3/26: The Modigliani-Miller Theorems on Capital Structure (BM 17.1-17.2)
3/31: Is M-M the last word on Capital Structure? (BM 18.1,18.3, 18.4)
4/2: Continued
4/7: PS#3 Due (UST Case). Capital Budgeting in the Levered Firm (BM 19.1-19.4, but not pp. 540&542)
4/9: Continued
4/14: Corporate Bankruptcy (Appendix to BM 25; read Marvel case – but do not hand in, Berlin article)
4/16: PS#4 Due (Dixon Case). Dividends - an Overview (BM 16.1)
4/21: Dividend Policy with Taxes and Asymmetric Information (BM 16.3-16.7)

Conclusion
4/23: No Class
4/28: Last Class: Conclusion and Review
Final Exam Review Session: TBA
5/8: *** Final Exam (Covers all material) *** (1:30-3:30 PM)