Outline: This course is intended to provide a market-oriented framework for analyzing the major types of financial decisions made by corporations. Lectures and readings will provide an introduction to present value techniques, capital budgeting principles and problems, asset valuation, the operation and efficiency of financial markets, the financial decisions of firms and derivatives.

Books: The required text book and special study guide, which can be obtained together at a discounted price at the Penn Bookstore, are:


The latter is a special version of the study guide made for the course that also includes answers from the solutions manual for the end-of-chapter questions in BMA for Chapters 1-21. The price for buying the two together is only a few dollars more than the book itself and much cheaper than buying the book, study guide and solutions manual separately.


Those of you with a limited exposure to finance can consult the glossary at the end of BMA for the financial terms used. For those who want more the following additional text may be useful.


The Bulk Pack for Quarter 1 can be obtained from Study.net or downloaded from Webcafe. This contains problem sets, cases, example exams, and lecture notes for the first half of the course. All materials will be made available electronically on Webcafe during the course. The Bulk Pack for Quarter 2 will be available in a few weeks.

Calculators and Spreadsheets: The recommended calculator is an HP 17bII+. Older equivalent models such as the HP 17BII or HP 19BII are acceptable. Other calculators such as the HP 10BII, HP 12C, TI BAII or equivalents will put you at a disadvantage in exams. They do not allow you to enter formulas and the old HP 12C is also slow. If you wish to use another calculator
please come and see me to obtain a waiver. More advanced calculators or anything with download capabilities cannot be used. There will be a basic calculator review session on Friday, September 17 at 1:30-3:00pm in 350 SH-DH. You will also need to know EXCEL at an elementary level in order to do the cases. A brief introduction is posted on Webcafe in the file EXCEL_Introduction.ppt.

**Grading:** There will be one midterm counting for 30% and one final counting for 40% of the course grade. The final will emphasize the material from the last half of the course. To allow you to recover from a poor midterm, if your overall score is improved by a weighting of 10% on the midterm and 60% on the final then that score will count instead. The problem sets will count for 15% of the grade. Finally, there will be two cases that will count for a total of 15%. If illness forces you to miss an examination, please contact me **before** the test.

**Weekly Handout:** There will be a handout each Thursday with administrative details. It is important to read this. If you are unable to pick it up from class, it can be obtained from Webcafe.

**Teaching Assistants:** The details of the TA's office hours will be given in the first weekly handout.

**Course Schedule, Readings and Due Dates:** Note that the schedule for covering material in lectures is tentative. Because of questions we may sometimes run over or under the time allotted. If anybody has a problem meeting a due date because of a religious holiday, please let me know as soon as possible. Extensions will be granted in such cases.

**Obtaining Webcafe Access for non-Wharton Students:** Students who are enrolled in the class but who do not yet have a Wharton computing account may apply online at this site:

http://accounts.wharton.upenn.edu

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**QUARTER 1**

**Week 1:**
- **Th: 9/9**
  - Section 1: Introduction
  - Read Ch. 1 BMA
  - Section 2: The Objective Function for Corporations
  - Read Ch. 1 BMA

**Week 2:**
- **Tu: 9/14**
  - Section 2 (cont.)

- **Th: 9/16**
  - Section 3: Calculating Present Values
  - Read Ch. 2 BMA

**Week 3:**
- **Tu: 9/21**
  - **PROBLEM SET 1 DUE**
  - Section 4: The Valuation of Bonds and Stocks
  - Read Chs. 3 and 4 BMA

- **Th: 9/23**
  - Section 5: A Comparison of Investment Criteria
  - Read Ch. 5 BMA
Week 4:
Tu: 9/28  PROBLEM SET 2 DUE
Section 5 (cont.)
Section 6: Practical Aspects of the NPV Rule
Read Ch. 6 BMA

Th: 9/30  Section 6 (cont.)

Week 5:
Tu: 10/5  PROBLEM SET 3 DUE
Section 7: Measuring Risk
Section 7(i): Statistics Review
Section 7(ii): A Theory of Asset Pricing: Introduction

Th: 10/7  Section 7(iii): Mean-Standard Deviation Analysis
Section 7(iv): Diversification and Beta
Read Ch. 7 BMA and Reading for Section 7 on Webcafe

Week 6:
Tu: 10/12  PEACH CASE DUE BY 9am – UPLOAD TO WEBCAFE
Section 8: The Capital Asset Pricing Model
Read Ch. 8 BMA

Th: 10/14  Section 8 (cont.)

Week 7:
Tu: 10/19  PROBLEM SET 4 DUE
Section 9: Capital Budgeting and the CAPM
Read Chs. 9 and 11 BMA

Th: 10/21  Exam Week for MBA Core – No class
Tu: 10/26  Exam week for MBA Core – No class

QUARTER 2
Week 1
Th: 10/28  Review session during regular class

Week 2:
Mon: 11/1  MIDTERM EXAM 6:15-7:45pm

Tu: 11/2  NO PROBLEM SET DUE
Section 10: Market Efficiency
Read Ch. 13 BMA
Th: 11/4
Section 10: Market Efficiency (cont.)
Section 11: Issuing Securities
Read Chs. 14 and 15 BMA

Week 3:
Tu: 11/9
**PROBLEM SET 5 DUE**
Section 11: Issuing Securities (cont.)

Th: 11/11
Section 12: Payout Policy
Read Ch. 16 BMA

Week 4:
Tu: 11/16
**PROBLEM SET 6 DUE**
Section 12: Payout Policy (cont.)
Section 13: Capital Structure
Read Chs. 17 and 18 BMA

Th: 11/18
Section 13: Capital Structure (cont.)

Week 5:
Tu: 11/23
**PROBLEM SET 7 DUE**
Section 13: Capital Structure (cont.)
Section 14: Investment and Financing Decisions
Read Ch. 19 BMA

Th: 11/25
No class: Thanksgiving Holiday

Week 6:
Tu: 11/30
**PROBLEM SET 8 DUE**
Section 14: Investment and Financing Decisions (cont.)
Section 15: Valuation
Read Ch. 19 BMA

Th: 12/2
Section 15: Valuation (cont.)
Section 16: Risk Management and Pricing Derivatives
Read Chs. 20 and 21 BMA

Week 7:
Tu: 12/7
**VALUATION CASE DUE BY 9am – UPLOAD TO WEBCAFE**
Section 16: Risk Management and Pricing Derivatives (cont.)

Th: 12/9
Case presentations

Tu: 12/21
**FINAL EXAM: 9:00-11:00am**