Corporate Finance – Honors Section  
Syllabus – Fall 2006  
Date: Sept. 8, 2006  

Course Information:  
Times: MW/TuTh from 4:30-6PM  
Location: JMHH F65  

The Professor:  
Name: Ronel Elul  
Phone: (215) 574-3965  
Email: elul@wharton.upenn.edu (the best way to contact me)  
URL: http://finance.wharton.upenn.edu/~elul/corpfin  
Office Hours: Most days, after class.  

TAs: Eli Amar (eamar@wharton.upenn.edu); Dar Sandler (sandler@wharton.upenn.edu)  

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. The honors sections will take a more analytical and quantitative approach compared to other sections, and you will also spend more time working on cases and problem sets.  

Reading Material: The main reference for this course will be my slides, which will be posted at the start of every week on the course Webcafé site. In addition, the textbook for the course is the eighth 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 purchase from Wharton reprographics.  

Grading Policy: Your grade will be based on a midterm exam on Wednesday evening, October 18 (25%), a comprehensive final (50%) and approximately 6 cases and problem sets (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 case. Note that late homeworks will be penalized. You should inform me of any conflicts regarding the exams by the end of the first week of class. Also, 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

Session 1: Introduction (Skim BMA 1; 2.3). Form Groups.
Session 3: Present Value (BMA 2.1, 2.2, 23.1)
Session 4: More on PV (BMA 3, 4.1, 23.2)
Session 5: Valuing Stocks (BMA 4.2-4.5)
Session 6: Practical issues in capital budgeting (BMA 6.1-6.2)
Session 7: Risk and Return in Security Markets (BMA 7.1, 7.2)
Session 8: Mathematics of Portfolio Risk (BMA 7.3, 7.4)
Session 9: Continued (BMA 8.1); Short-selling & Buying on margin
Session 10: The Capital Asset Pricing Model (CAPM) (BMA 8.2)
Session 11: Midterm Review
Session 12: Additional Review in class on Weds Oct 18, no class on Thurs Oct 19
Midterm Exam (Wednesday, Oct 18, 6:30-8PM)
Session 13: Testing the CAPM; Capital Budgeting with the CAPM (BMA 8.3, 9.1-9.2)
Session 14: Issuing Securities; VC (BMA 15.1-15.2, 15.5; Microsoft & Berlin Articles)
Session 15: Market Efficiency (BMA 13)
Session 16: The Modigliani-Miller Theorems on Capital Structure (BMA 17.1-17.2,17.4)
Session 17: The Tradeoff Theory of Capital Structure (BMA 18.1,18.3)
Session 18: Capital Structure with Asymmetric Information (BMA 18.4);
Session 19: Capital Budgeting and Taxes (BMA 19.1-19.5)
Session 20: Continued
Session 21: Dividends - an Overview (BMA 16)
Session 22: Options – Introduction (BMA 20)
Session 23: Options – Valuation (BMA 21.1-21.3)
Session 24: Last Class: Conclusion and Review

Note: no class on Monday Oct 2. Guest speaker tentatively scheduled Tues. Oct 3.
No class on Weds Nov 21 (Thanksgiving ‘eve).