Corporate Finance
Summer 2006

Course Information:
Times: M-Th from 4:20-5:55
Location: JMHH F85

The Professor:
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Office: TBA
Office Hours: Most days, after class.

TA: Jianfeng Yu (jianfeng@wharton.upenn.edu)

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. Basic courses in Microeconomics and Statistics are prerequisites. Introductory accounting is also useful but may be taken concurrently.

Reading Material: The text for the course is the eighth edition of Principles of Corporate Finance, by Brealey, Myers and Allen (BM); this is the book used in the MBA program here at Wharton. A detailed outline - with references to this text - is attached. Two course packets will also be available from Wharton Reprographics. The first will contain copies of most of the Powerpoint slides we will view in class; you should bring it with you to the first class. The other contains cases and other readings. There may also be additional handouts distributed throughout the course of the semester for which you will be billed (approximately $5) at the end of the semester. 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 three cases, together making up 20% of the final grade; late homework will be downgraded; tentative due-dates are given below. 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. Both the TA and myself will hold office hours to assist you with these cases as well as to answer any other questions. There will be a midterm exam on June 6 (worth 30%) and a comprehensive final exam on June 22 (50%); both exams are in-class. You should inform me of any conflicts by the end of the first week of class. 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

Capital Budgeting under Certainty
Session 1: Introduction; Types of Business Organization. What is Corporate Finance? What are the Goals of a Corporation? (Skim BM 1; 3). Form Groups,
Session 2: Introduction to Long-Term Financing (BM 14; 24.2, 25.1-25.5).
Session 3: How Securities are Issued (BM 15.2, 15.5; Microsoft and Google IPO articles). Overview of Venture Capital Financing (BM 15.1; Berlin article)
Session 4: Introduction to Present Value (BM 2.1, Ch 3, 23.1)
Session 5: Valuing Bonds and Stocks (BM 4, 23.2)
Session 6: "Fun with Discounting" - some practical issues in capital budgeting (BM 6.1-6.2)

Capital Budgeting and Risk
Session 7: Introduction to Risk and Return in Security Markets (BM 7.1, 7.2)
Session 8: Atlantic Corp. Case Due. Mathematics of Portfolio Risk (BM 7.3, 7.4)
Session 9: The Capital Asset Pricing Model (CAPM) (BM 8.1-8.3);
Session 10: Using the CAPM in Capital Budgeting – an Introduction (BM 9.1-9.2)

Miscellaneous Topics
Session 11: Beta Management Case due (start of class). Sensitivity Analysis (BM 10.1); Other Capital Budgeting Rules (BM 5.2-5.3 + other material)
Session 12: Midterm Review
6/6: Midterm Exam
Session 13: Market Efficiency and Corporate Finance (BM 13)

Capital Structure & Related Topics
Session 14: The Modigliani-Miller Theorems on Capital Structure (BM 17.1-17.2,17.4)
Session 16: Is MM the last word on Capital Structure? (BM 18.1,18.3)
Session 16: Capital Structure with Asymmetric Information (BM 18.4);
Session 17: Capital Budgeting and Taxes (BM 19.1-19.5)
Session 18: Dividends - an Overview (BM 16)
Session 19: Corporate Bankruptcy (BM 33.4)

Conclusion
Session 20: Last Class: Conclusion and Review; Dixon Case Due
6/22: *** Final Exam (Covers all material) ***