

**Corporate Finance**  
Finance 100  
The Wharton School, University of Pennsylvania  
Spring 2004

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### **Course Description**

The purpose of this course is to introduce techniques of financial analysis, with emphasis on topics in the corporate finance area. The concepts developed in Finance 100 form the foundation for all elective finance courses. The main topics covered include (1) the time value of money and the net present value rule; (2) valuation of bonds and stocks; (3) capital budgeting decisions; (4) uncertainty and the tradeoff between risk and return; and (5) corporate financing and dividend policy decisions.

### **Professor**

Jessica A. Wachter

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Office Hours: Tuesday 1:30-3 in SH-DH 2322

### **Teaching Assistants**

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Office hours for TAs will be announced by the second week of class.

### **Course Material**

Required:

- S. A. Ross, R. W. Westerfield and J. F. Jaffe, Corporate Finance, 6th Edition, McGraw-Hill Irwin, 2002. (Referred to as RWJ in course outline.)

Note: Updated problems and solutions for RWJ are available on the class website.

- A scientific or business calculator. It will be necessary for your calculator to have a  $x^y$  function.

Optional:

- R. A. Brealey and S. C. Myers, Principles of Corporate Finance, 7th Edition, McGraw-Hill Irwin, 2003. (Referred to as BM in course outline.)

## Problem Sets

There will be a problem set every week, starting with the second week of class. You will be rewarded full credit on the problem set if you have made a good-faith effort to answer all of the questions, and if you hand in the problem set on time. Late problem sets will not be accepted. Answers to the problem sets must be your own, and must be *handwritten*.

## Grading

Grades will be based on the midterm exam (35%), the final exam (45%), problem sets (15%), the computer-based assignment (5%). The final exam is cumulative. You will be allowed one double-sided page of notes for the midterm and two double-sided pages of notes for the final.

Exam Schedule:

- Midterm Exam: Thursday, March 4th (in class)
- Final Exam: Wednesday, May 5th 4:00–6:00 (tentative)

Note that there will not be any make-up exams except as required by university policy. Reviews will be scheduled prior to each exam.

All regrade requests must be made in writing within one week of the day the exams are returned. Any exam submitted for regrading of a question can be subjected to a complete regrading.

## Website

The course website is <http://finance.wharton.upenn.edu/~jwachter/fnce100>. TA office hours, announcements, problem sets, and solutions will be posted on the website.

## Study Groups

You are encouraged to work in groups on the problem sets, but you must hand in your own handwritten answers. It is also highly recommended that you regularly review the readings and class notes with your study group.

## Course Outline

(\*) Denotes optional readings

Additional readings will be distributed in class

1. Introduction  
Readings: RWJ Chapters 1\* and 2\*  
[BM Chapter 1]
2. The Time Value of Money and NPV  
Readings: RWJ Chapters 3, 4, and 5  
[BM Chapters 2–4]
3. Principles of Capital Budgeting  
Readings: RWJ Chapters 6, 7, and 8\*  
[BM Chapters 5–6]
4. Uncertainty and Financial Decisions  
Readings: RWJ Chapters 9, 10, and 11\*  
[BM Chapters 9,10]
5. Capital Budgeting Under Uncertainty  
Readings: RWJ Chapter 12  
[BM Chapters 9]
6. Market Efficiency  
Readings: RWJ Chapter 13  
[BM Chapters 13]
7. Corporate Financing and Capital Structure  
Readings: RWJ Chapters 14, 15, and 16  
[BM Chapters 14, 15, 17, and 18]
8. Valuation and Capital Budgeting  
Readings: RWJ Chapter 17  
[BM Chapter 19]
9. Dividend Policy  
Readings: RWJ Chapter 18  
[BM Chapter 16]
10. Valuation of Options  
Readings: RWJ Chapters 22 and 23\*  
[BM Chapters 20 – 22]