

Course Syllabus

This syllabus describes the policies and the procedures for this course. **Please read it carefully.**

1 Contact Information and Office Hours

Instructor: Vincent Glode
Office: Tepper 312
Telephone: 412-268-5355
Email: vglode@cmu.edu
Course webpage: <http://blackboard.andrew.cmu.edu>
Office Hours: Mondays 3:00pm-4:00pm
Wednesdays 3:00pm-4:00pm

Feel free to send me an e-mail with any questions about the course or if you want to arrange an appointment.

2 Course Objectives

This course provides an introduction to the theory, the methods, and the concerns of corporate finance. It has four goals:

1. To provide students with rudimentary training in the skills and methods of financial management.
2. To prepare students for subsequent course work at Tepper in finance. This objective requires that we cover some elementary theory.
3. To give students a base level of sophistication regarding current issues and concerns in financial policy. This is needed to understand the role of finance in debates over corporate strategy and public policy.
4. To have fun. Learning finance can be a very nice experience (at least it is for me!).

3 Lectures

Class time is primarily devoted to lectures. I will use material from the supplementary readings to illustrate some of the basic points in the lecture for that day, and to encourage discussion about these points. These readings are from the popular business press or internal documents from corporations or financial institutions. While they bear on the basic ideas covered in the lectures and textbook, they can be read for an understanding of the facts beforehand. This is not an onerous task, because the readings are short. If, while reviewing this material **before class**, you find yourself baffled, bewildered, or stunned, make a note of this before class and ask about it during class. Through our class discussions, you will realize that I will not always agree with the views taken in the supplementary readings. A by-product of the course is that you will begin to be able to critically evaluate the views taken in leading business publications.

4 Course Material

Reading:

1. Lecture notes, practice problems, and sample exams distributed on the course webpage.
2. Brealey, R., S. Myers and F. Allen, *Principles of Corporate Finance*, eighth edition. (An older edition of the textbook is OK, but you will need to figure out the relevant chapters to read. Franklin Allen is new to this edition, older editions are authored by Brealey and Myers only.)
3. Supplementary readings distributed on the course webpage or handed out in class.

Webpage:

The course webpage is on the Blackboard system (<http://blackboard.andrew.cmu.edu>). Any course announcements will be posted on this site. In addition, the lecture notes, problem sets, solutions, and any extra material will be available on the Blackboard.

Paper copies of the lecture notes will not be made available in class. If you want a paper copy of the notes, it is your responsibility to print them before class.

Lecture Notes:

I believe that attending lectures, taking notes, and asking questions is an excellent way to learn basic concepts and principles in an introductory course. This course uses an excellent textbook. For this reason, the lecture notes that I am providing are not a complete record of what I say in class. Rather, the notes will serve as an outline for developing the concepts in each lecture while still requiring active learning (attending lectures, taking notes, and asking questions).

5 Course Requirements and Grading

The course grade will be based on individual quizzes, a midterm exam, a final exam, and three group assignments. The final grade will be determined using the following weights:

Individual Quizzes	20%
Group Assignments	20%
Midterm Exam	30%
Final Exam	30%

Class Participation:

Class participation “points” serve as a vehicle for determining the grade of a student whose average falls near a boundary of a grade cutoff. Thus, students at a grade boundary may have their grades moved up or down depending on their class participation.

During lectures, I encourage you to ask questions. Voluntary class participation is expected; however, I will call on individuals in class from time to time. If the class is not generally prepared, I reserve the right to change the grading format in the middle of the semester to weight class participation.

Individual Quizzes:

The purpose of the quizzes is to check your understanding of the material. They will be based on the practice problems associated to the topics covered in class. I plan to have a quiz every week or so, but dates will be announced as the course progresses. You will have 10 - 15 min to answer a quiz. If you do the practice problems, these quizzes should be straightforward.

Exams:

All exams are closed book and closed notes. A formula sheet will be provided for each exam. A copy of the sheet will be made available on the course webpage. You will need a calculator that can compute natural logarithms and raise numbers to arbitrary powers. Laptops are not permitted.

The midterm exam will be held in class on Monday, July 23, 2007. The material from Topics 1 through 6 will be covered on this exam. **The final exam will be held in class on Friday, August 10, 2007.** The material from Topics 6 through 10 will be covered on this exam. **No makeup midterm exam will be given. If you cannot take the midterm (for a valid reason), the weight of your final exam will be increased.**

Group Assignments:

Students are allowed to do the three assignments in groups of up to three students. Each group should turn in a **single** hard copy of their work at the beginning of class with the names of all contributing members listed. Groups can change from assignment to assignment. I will not become involved in any group problems. You may choose to govern yourselves in any manner that you deem appropriate. Solution keys will be available on the course webpage. **No late assignments will be accepted.**

The assignments will be graded on the following scale:

Grade	Score
√+	100%
√	85%
√-	70%
0	0%

To earn a passing grade (\checkmark), you do not need to get the correct answer. We will spend class time going over the correct answer, or what I view as a reasonable approximation to it. I do expect, however, that the documents you produce be written in coherent English and presented in an intelligible manner.

Practice Problems:

Practice problem sets will be posted on the course website to help you apply the concepts we cover in class. You do not have to turn them in. **I strongly advise you to try to do the problem sets on your own as a preparation for the quizzes.** I will provide solutions to the problem sets and go over your questions about the problem sets in the lectures before the midterm and final.

6 Academic Integrity and Class Etiquette

Students are expected to follow the rules of academic honesty in this class. Examinations and individual quizzes are to be the work of the individual student using only the material permitted. However, concerning all other aspects of the course (including the group assignments), I encourage you to speak freely with your classmates.

Also, please **make sure your cellphone is turned off during class and refrain from surfing the web during class.**

7 Course Outline

1. Introduction, What Financial Management Is About, Forms of Financial Contracts, No Arbitrage, Introduction to Derivative Securities

Class: Monday, July 2, Tuesday, July 3, Thursday, July 5

Reading:

- Brealey and Myers, Chapter 1 and Chapter 14

Assignment:

- Do the practice problems. Do not hand in.

2. Foundations of Net Present Value

Class: ***I will be out of town on Friday, July 6. A make-up class will be scheduled.***

Reading:

- Brealey and Myers, Chapter 2

Assignment:

- Do the practice problems. Do not hand in.

3. Valuing Riskless Cashflows

Class: Monday, July 9, Tuesday, July 10, Wednesday, July 11

Reading:

- Brealey and Myers, Chapter 3 and Section 24-2 of Chapter 24 (Section 23-2 of Chapter 23 if using Brealey and Myers, 6th Edition)

Assignment:

- Do the practice problems. Do not hand in.

4. Bond Valuation and Stock Valuation

Class: Thursday, July 12, Friday, July 13

Reading:

- Brealey and Myers, Chapter 4

Assignment:

- Do the practice problems. Do not hand in.
- **Do Group Assignment 1. Due date TBA.**

5. Investment Decisions using NPV

Class: Monday, July 16, Tuesday, July 17

Reading:

- Brealey and Myers, Chapter 6

Assignment:

- Do the practice problems. Do not hand in.
- **Do Group Assignment 2. Due date TBA.**

6. Alternatives to NPV

Class: Wednesday, July 18

Reading:

- Brealey and Myers, Chapter 5

Assignment:

- Do the practice problems. Do not hand in.

7. Market Efficiency

Class: Thursday, July 19, Friday, July 20

Reading:

- Brealey and Myers, Chapter 13

Assignment:

- Do the practice problems. Do not hand in.

Midterm Exam

Class: Monday, July 23, 2007

8. Introduction to Risk versus Return, Portfolio Theory Including Diversification

Class: Tuesday, July 24, Wednesday, July 25, Thursday, July 26, Friday, July 27

Reading:

- Brealey and Myers, Chapter 7

Assignment:

- Do the practice problems. Do not hand in.

9. The Capital Asset Pricing Model

Class: Monday, July 30, Tuesday, July 31

Reading:

- Brealey and Myers, Chapter 8

Assignment:

- Do the practice problems. Do not hand in.

10. Cost of Capital from the CAPM

Class: Wednesday, August 1

Reading:

- Brealey and Myers, Sections 9-1 through 9-4 of Chapter 9

Assignment:

- Do the practice problems. Do not hand in.
- **Do Group Assignment 3. Due date TBA.**

11. **Optimal Debt Policy**

Class: Thursday, August 2, Friday, August 3, Monday, August 6

Reading:

- Brealey and Myers, Chapter 17, Chapter 18

Assignment:

- Do the practice problems. Do not hand in.

12. **Dividend Policy**

Class: Tuesday, August 7, Wednesday, August 8

Reading:

- Brealey and Myers, Chapter 16

Final Exam

Class: Friday, August 10, 2007