

FINANCE 611: CORPORATE FINANCE

FALL 2019

Professors Jules van Binsbergen and Michael R. Roberts

Course Website: Available on Canvas

COURSE DESCRIPTION

This course is an in-depth introduction to the foundations of finance with an emphasis on applications that are vital for corporate managers. We will discuss most of the major financial decisions made by corporate managers both within the firm and in their interactions with investors. Essential in most of these decisions is the process of valuation, which will be emphasized throughout the course. Topics include criteria for making investment decisions, valuation of financial assets and liabilities, relationships between risk and return, capital structure choice, payout policy and risk management.

COURSE QUALIFICATION

- **While this is an introductory class, the class is fast-paced and taught at a high level.**
- **Historically, students who score in the red and yellow zones of the “Math for Business” exam struggle with this class.**
- **Students whose 5 best exam scores (out of 6) do not average at least 50% will automatically fail the class.**

COURSE MATERIALS

Textbook

The **required** textbook for the course is: Corporate Finance (plus MyFinanceLab), Jonathan Berk and Peter DeMarzo, 4th ed., Pearson - Prentice Hall

Slides

PDFs of lecture slides are available on Canvas.

Cases

Cases are available on Study.net, which is accessible via Canvas.

Additional Material

Additional material (e.g., notes, supplemental exercises and material, etc.) will be made available on Canvas under Files.

ATTENDANCE AND PREPARATION

Class attendance is mandatory. We also ask the you avoid disrupting class by leaving early. You are expected to come to class having read the required textbook sections and case when relevant.

Class time is for exploring and applying financial principles, not regurgitating what you can read in a book.

HOMEWORK ASSIGNMENTS

Homework assignments and their scheduled due dates are available on MyFinanceLab. You must purchase access to this site and register for the course by entering the course code ([binsbergen99955](#)).

Neither the TAs nor professors will answer any questions pertaining to the homework, as an essential element of the homework is your ability to work on the mechanics of finance independently of any guidance. If you miss the due date, which is clearly identified in MyFinanceLab, you will receive a zero. However, we will drop your lowest homework score to address unforeseen contingencies.

EXAMS

There are **six 40-minute in-class computerized exams** throughout the semester. All exams are open book and open electronics (e.g., calculator, tablet, laptop); however, any electronics must be in “airplane mode” and unable to communicate with other electronics (i.e., no Wi-Fi, Bluetooth, etc.). There are no makeup exams.

GRADING

Your course grade will be determined by your MyFinanceLab homework assignments (30%), and the average of your 5 best (out of 6) in-class exams (70%). **Students whose 5 best exam scores do not average at least 50% will automatically fail the class.**

Class grades are determined using a class-wide (i.e., across all FNCE 611 sections) curve that respects any constraints imposed by the University or Wharton.

COURSE ETIQUETTE

Unless otherwise requested, please make sure any other electronics are shut off and put away. If you are caught using electronics in class, regardless of the reason, we will reduce your course grade by one third (e.g., A to A-, B+ to B, B- to C+, etc.). If we catch you using them for a second time, you will receive an “F” in the course.

Students are expected to respect the University of Pennsylvania’s Code of Academic Integrity (http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html) and to behave with integrity in all aspects of the course. Students are encouraged to discuss the cases and other content of the course with first-year MBA student in their own section and in other sections. However, students should not discuss the content related to the current day’s class discussion or exam during the period between sections to avoid giving later sections an unfair advantage.

Violations of the honor code will be immediately reported to the administration.

COMMUNICATING WITH PROFESSORS

The best way to contact the instructors outside of the classroom is via email. Please do not ask long, detailed questions about the course, or questions that (may) require a long, detailed response. We are happy to talk with students outside of the classroom so email one of us to schedule an appointment.

Please let us know of any difficulties you may be having with the course as soon as possible. These difficulties may arise from the course itself, or external forces (e.g., other courses, personal issues). Regardless of the source, let us know as soon as possible so we can work together to avoid larger problems later. Wharton and the University offer a wide range of support services that are geared towards helping students.

Videos to watch before first lecture

Date	Class #	Topic	Readings	Cases	MyFinanceLab
Before Aug 28	0	Time Value of Money	3.2; 4, 4.Appendix		

Tentative Schedule (Mon-Wed classes)

Date	Class #	Topic	Readings	Cases	MyFinanceLab/Exam
Wed Aug 28	1	Introduction, Interest Rates			
Mon Sep 2		No Class Labour Day			
Wed Sep 4	2	Return on Investment	2; 3.3-3.5; 7.1, 7.2, 7.4		HW 1 - Time Value of Money
Mon Sep 9	3	Fixed Income - Bond Markets and Valuation	6.1, 6.4, 6.5		
Wed Sep 11	4	Exam/Case Day		Pay cash for a car?	Exam 1
Mon Sep 16	5	Fixed Income - Duration	6.2, 6.Appendix; 30.4		
Wed Sep 18	6	Valuing Stocks	9.1-9.4		
Mon Sep 23	7	Valuing Stocks			HW 2 - Stocks and Bonds
Wed Sep 25	8	Exam/Case Day		Orange County	Exam 2
Mon Oct 30	9	Risk and Cost of Capital	10.1-10.8		
Wed Oct 2	10	Risk and Cost of Capital	11.1-11.6		
Mon Oct 7	11	CAPM	11.7, 11.8, 12.1-12.4		HW 3 - Cost of Capital, CAPM
Wed Oct 9	12	Exam/Case Day		Partners Healthcare	Exam 3

Tentative Schedule (Tue-Th classes)

Date	Class #	Topic	Readings	Cases	MyFinanceLab
Tue Aug 27	1	Introduction, Interest Rates			
Thu Aug 29	2	Return on Investment	2; 3.3-3.5; 7.1, 7.2, 7.4		
Tue Sep 3	3	Fixed Income - Bond Markets and Valuation	6.1, 6.4, 6.5		HW1 – Time Value of Money (Wed Sep 4)
Th Sep 5	4	Fixed Income - Duration	6.2, 6.Appendix; 30.4		
Tue Sep 10	5	Exam/Case Day		Pay cash for a car?	Exam 1
Th Sep 12	6	Valuing Stocks	9.1-9.4		
Tue Sep 17	7	Valuing Stocks			
Th Sep 19	8	Risk and Cost of Capital	10.1-10.8		HW 2 - Stocks and Bonds (23 rd)
Tu Sep 24	9	Exam/Case Day		Orange County	Exam 2
Th Sep 26	10	Risk and Cost of Capital	11.1-11.6		
Tue Oct 1	11	CAPM	11.7, 11.8, 12.1-12.4		
Th Oct 3	12	Exam/Case Day		Partners Healthcare	Exam 3
Mon Oct 7	NA	No class (MyFinanceLab due date)			HW 3 - Cost of Capital, CAPM