



**Wisconsin School of Business**  
**Fall session - 2025**  
**Finance 725, Corporation Finance**

**Instructor**

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**Piazza**

Please use the class's Piazza page via Canvas to post your questions, so that all can benefit from them. I will be monitoring questions and providing answers. Please keep the forum professional.

**Class times and location**

Section 1: M-W 11am - 12:15pm, grainger 1185

**Instruction mode**

Face-to-face

**Office hours**

Tuesdays, 3pm-5pm, online  
Wednesdays, 4pm-6pm, in person in Grainger 5151A  
Fridays, 10am-11:15am, in person in Grainger 5151A

**Course objective**

This course covers the fundamentals and goals of corporate finance and describes how those fundamentals are applied in practice. This is a hands-on class with a heavy

emphasis on quantitative applications.

## **Official course description and requisites**

Theory and practice of financial management of firms. Techniques of capital budgeting under certainty and uncertainty; valuation of projects and firms; theory of capital structure; dividend policy; cost of capital; mergers and acquisitions. Requisites: FIN700 or MSFE enrollment.

## **Resources**

The main source of material for this course are my notes and my power point slides, all of which you can download from Canvas. No textbook is required.

I will expect you to become proficient with some advanced features of Excel. Online resources in this respect are ubiquitous but feel free to ask me if you want specific recommendations. Please bring your own laptop to class in order to perform all quantitative calculations at the same time as I do. I will post all the calculations we carry out in class to Canvas.

A significant part of the data we use in this class will come from FactSet. **Please make sure your FactSet account is activated and ready to go.**

## **Grading**

Your numerical course grade is a weighted average of participation in career events (5%), homework score (20%), two 45mn-quizzes (5%) midterm score (35%), final score (35%).

The target GPA for the class will be 3.5. I will implement this objective roughly as follows:

**A** Top 20-40% of course grades

**AB** 20-40%

**B** 0-30%

**BC** 0-20%

**C** 0-20%

**D/F** 0-5%

Homework problem sets will be assigned more or less on a weekly basis. The problems are meant to make you practice/replicate what I will show you in class. Being ready for my exams means first and foremost understanding the homework fully. You will need to upload your homework in a pdf form to Canvas. You cannot upload any excel file. Your pdf should provide answers to each of my questions and a short explanation of how you reached that answer, an explanation that can include images of partial excel tables. What you turn in should be 4 pages long or less.

I encourage you to work in groups. However, each student must turn in their own write-up of answers. (Given that you will be working in groups I understand and accept that many answers will be identical to one another.) No late assignment will be accepted, barring a documented emergency or an exception within the University's guidelines.

The midterm will take place on Thursday, October 30th, from 6:00pm to 7:45pm, and you will take it remotely. Our class meeting on Monday, October 27th will be a review session. On Wednesday, October 29th, I will hold extra office hours in our standard classroom , but I will not advance the material on that day. The final will be remote as well on a date we will agree to later.

Quizzes will be remote as well and are meant to prepare you for my exams

Exams and quizzes are open books and open internet. You are allowed to use any resource you want and you will perform all calculations on your own laptop. The only rule is that you cannot communicate with one another.

You will get your 5% for participation in career events provided you:

1. Attend an in-class career coaching session on 9/10/2025
2. Meet with a career coach at least once during the semester
3. Participate in at least one career-related event (Milwaukee trek, attend a visit by an alumni or employer...)

Verification will done an honor basis. Before the end of the semester you will each send me an email telling me in three bullet points how you met those three criteria.

**Academic misconduct**

Academic misconduct of any sort will result in a failing grade, as a minimum consequence, but I will also pursue all appropriate and commensurate remedies under the rules imposed by the University.

Now for the formal version: By virtue of enrollment, each student agrees to uphold the high academic standards of the University of Wisconsin-Madison; academic misconduct is behavior that negatively impacts the integrity of the institution. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these previously listed acts are examples of misconduct which may result in disciplinary action. Examples of disciplinary action include, but is not limited to, failure on the assignment/course, written reprimand, disciplinary probation, suspension, or expulsion. <https://conduct.students.wisc.edu/syllabus-statement/>

### **Students who require testing accommodations**

Students who qualify for testing accommodations must schedule an appointment with testing and evaluation services (please go to <https://testing.wisc.edu/>) who will administer the exams and enforce the appropriate time limitations. Exam appointments cannot be made prior to the official start of the exam. All exams must be completed within 24 hours of the official starting time.

### **Course learning outcomes**

Students will:

1. Understand the fundamentals of capital budgeting, capital structure management, and payout policy
2. Be able to describe financial uncertainty and risk using the language of probability theory
3. Calculate the market value of options embedded in the firm and in investment projects

### **Credit hours**

This is a 3-credit class. These are met according to the traditional Carnegie Definition: 3 times 75 minutes of classroom time and a minimum of two hours of out of class student work per hour of class over approximately 8 weeks.

## **Regular and substantive interaction**

Students have ample opportunity for substantive interactions with the instructors on a predictable and scheduled basis commensurate with the length of time and the amount of content in the course or competency via, inter alia, both in person and virtual office hours, ample exchanges during class time, and can also request meetings with the instructor as and when needed.

## **List of topics and associated resources**

1. Preliminaries
  - (a) Corporate Finance defined
  - (b) Assets and liabilities: a taxonomy
  - (c) Reading financial statements
  - (d) Valuation primer
  - (e) Fundamentals of capital budgeting
  - (f) Fundamentals of capital structure management
2. Risk and return
  - (a) IRR and YTM
  - (b) Notions of probability
  - (c) Diversification
  - (d) CAPM
  - (e) Factor models
3. The cost of capital
  - (a) WACC
  - (b) Corporate debt
  - (c) Fundamental equation of debt design
  - (d) The market value of debt
  - (e) Hybrids
  - (f) The cost of equity
  - (g) Building WACC in practice

4. Capital budgeting
  - (a) Cash flow
  - (b) Capital budgeting credo
  - (c) Detailed case: Investing in a plastic injection plant
  - (d) Build or rent?
  - (e) WACC circularities
  - (f) Company WACC vs project WACC
  - (g) Target WACC
5. Capital structure management
  - (a) Modigliani-Miller
  - (b) Trade-off theory
  - (c) Other consequences of capital policy
  - (d) The case of mezzanine finance
6. Payout policies
  - (a) Dividends vs. buy-backs
  - (b) Dividend dates and types
  - (c) Irrelevance results
  - (d) Optimal payout policy with frictions
7. The value of flexibility
  - (a) Optionality and capital budgeting
  - (b) The option to abandon
  - (c) The option to delay refinancing
  - (d) Equity as a call option