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Wisconsin School of Business
Fall session - 2018
Finance 325, Corporation Finance

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Instructor

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I do not use Canvas. What I need you to download for the course will be posted on my public access website.

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.

Resources

The main source of material for this course is my power point slides, which you can download from my website. No textbook is required.

I will also expect you to become proficient with some advanced features of Excel, by far the most common tool for number crunching in Business. On-line resources in this respect are ubiquitous but feel free to ask me if you want specific recommendations. You are very strongly encouraged to bring your own laptop to class in order to perform all quantitative calculations at the same time as I do.

Grading

Your numerical course grade is a weighted average of homework score (15%), midterm score (35%), final score (50%). As per Wisconsin School of Business rules, the average GPA for the class will be no higher than 3.3. I will implement this objective as follows:

A   Top 20% of course grades

AB   20%

B   0-20%

BC   0-20%

C   0-20%

D/F 0-5%

The midterm will take place on TBA, in class, while the final will take place on TBA. Exams 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.

Make sure that your laptop is powered up and ready to go. **Under no circumstances will I take computer malfunction into account in my grading. There is no exception.** Backup laptops will be present in the room for each class and each exam as a favor but, again, <u>**under no circumstances**</u> **will I take computer malfunction into account in my grading.**

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. Several of my exam questions will be variations on homework assignments and will require the use of Excel. Assignments are due at the start of lecture on the due date. No late assignment will be accepted, barring a documented emergency or an exception within the University's guidelines.

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.

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) Debt math
    (c) Notions of probability
    (d) Diversification
    (e) CAPM
    (f) Factor models

3. Capital Budgeting

    (a) Cash flow
    (b) WACC
    (c) Capital budgeting credo