

University of Wisconsin – Madison

FIN 325 Corporate Finance

Preliminary Syllabus

Summer 2016 Term

Instructor details

- **Instructor:** Adam Hal Spencer
- **Email:** ahs Spencer@wisc.edu
- **Office hours:** Monday – Friday from end of class onwards.

Meetings and dates

- **Class dates:** May 23rd – June 12th 2016
- **Class days/times:** Monday – Friday, 13:00 – 16:30.
- **Midterm exam:** Friday June 3rd in class.
- **Final exam:** Friday June 10th in class.

Course description

Development of the theory, method and analytical techniques of financial management. Techniques of capital budgeting; valuation of projects and firms; theory of capital structure; dividend policy; cost of capital; mergers and acquisitions. The emphasis will be on the theory of these financial policy decisions, rather than the institutional and practical details.

Recommended Textbook

Corporate Finance by Berk and DeMarzo (2nd or 3rd edition). See below for relevant readings.

Prerequisites

Finance/Econ 300, Math 213 or 222, Gen Bus 304 or equiv, and Acct I S 301.

Problem sets

Problem sets are to be handed-in individually at the beginning of class. You are encouraged to work together on them though. There will be 4 of them in total. Some problems will be easy and some will be more difficult. The problem set with the lowest score will be dropped from your grade.

Exams

You are allowed to bring one double-sided sheet of paper into the exam in addition to a calculator. No additional technology or notes are allowed. If you believe that there was a mistake in the grading, you should send me an email. Note the entire exam will be re-graded. In general I won't allow exams to be taken early or late. If you believe you have an exceptional case, please notify me by Friday of week 1. Moreover if you have any special needs, which need to be accommodated for the exams, please notify me by Friday of week 1.

Exam revision days

Thursday June 2nd and Thursday June 9th are days where I'll go over practice problems to help you prepare for the exams. They'll be run more like discussion classes than lectures. No new material will be covered in these classes; they're just about helping you study.

Grading

Assessment	Contribution
Problem sets	30%
Midterm	30%
Final exam	30%
Class participation	10%

Course schedule

The course material is broken up into four parts as follows:

- (1) **Techniques** (May 23, 24 & 25): these classes are designed to give you the tools required to answer problems in corporate finance. Specifically, you'll learn about techniques regarding project valuation.
- (2) **Theory** (May 26, 27, 30, June 1 & 2): this part of the course covers the theory of optimal capital structure and how it can be used to create firm value. In this section of the course, my objective is to help you develop economic intuition within a general framework that you'll be able to apply to a wide variety of problems.
- (3) **Applications** (June 6, 7 & 8): covers applied topics in corporate finance. This part has more of an emphasis on institutional details and particulars that will have direct relevance to your activities in the professional workforce when you graduate. These classes will be more like something you'd encounter in an MBA course.
- (4) **Exam revision** (June 2 & 9): these classes are to help your grade!

	Week 1 (May 23 – 27)	Week 2 (May 30 – June 3)	Week 3 (June 6 – 10)
Monday	Introduction Present value and cash flows	Tradeoff theory Imperfect/incomplete markets	Raising capital
Tuesday	Decision rules Risk and return	Agency issues	Mergers and Acquisitions
Wednesday	Cost of capital Techniques revision PS1 due	Information asymmetry PS3 due	Multinational corporate finance PS4 due
Thursday	Modigliani-Miller	Midterm revision	Final revision
Friday	Debt and taxes WACC PS2 due	Midterm	Final

Relevant Readings (Berk and DeMarzo 2nd Edition)

Cash flows and PV	4.1-4.6, 7.1-7.2
Investment Decision Rules	3.3, 6.1-6.5
Discount rates	5.3-5.5, 10.3-10.8, 11.7, 12.3-12.6
WACC	18.2
APV	18.3
Capital Structure (MM)	14.1-14.5
Debt and taxes	15.1-15.5
The Trade-off theory	16.1-16.4
Agency issues	16.5-16.7
Information Asymmetry	16.8-16.9
Raising Capital	23,24,27.3,27.4