

FINA 4200 Corporate Finance Theory
Terry College of Business
Fall 2007
M, W, F, 1:25-2:15, SLC 214
Office Hours: W, Th 10 to 11:30 and
by appointment

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*"I will be academically honest in all of my academic work
and will not tolerate academic dishonesty of others."*

UGA Student Honor Code

<http://www.uga.edu/ovpi/honesty/acadhon.htm>

FINA 4200 Corporate Finance Theory

Undergraduate prerequisite: FINA 3000 and (MSIT 3000 or STAT 3000). Development of a framework that is useful for understanding a broad range of important corporate financial decisions. Substantial emphasis will be placed on discussion of the determinant of corporate financing and payout policies, alternative methods of security issuance, and mergers and acquisitions.

The course will be composed of lectures, class discussion, problem solving and case applications. There is much more to learn about corporate finance than can be covered in this class. Thus, the structure is going to be somewhat flexible and the course outline is tentative. You are encouraged to introduce current topics that have been gathered through your regular reading of the *Wall Street Journal*, the *Financial Times*, the *Economist*, or other periodicals, or other relevant material.

All academic work must meet the standards contained in "A Culture of Honesty" (<http://www.uga.edu/ovpi/honesty/acadhon.htm>). All students are responsible to inform themselves about those standards before performing any academic work.

The course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary. It is the responsibility of the student to be aware of all changes announced in class or on the WebCT website.

Course Materials

- Textbook: Jonathan Berk and Peter DeMarzo, *Corporate Finance*, 2007, Pearson Education.
- A financial calculator that can do NPV analysis (e.g., TI BA II Plus or HP 10B)

Course Grading Policy

The course grade will be determined by three in-class exams, plus a comprehensive final, weighted equally. Exams are scheduled as follows (subject to change):

Exam 1	25% of grade	September 21
Exam 2	25% of grade	October 19
Exam 3	25% of grade	November 14
Final Exam	25% of grade	Finals Week

Exams will be closed book. You may use a financial calculator – no programmable calculators allowed. No computers will be allowed for the exams. In addition to the weights given above, grades may be lowered 5% for consistent lack of class attendance.

There will be NO MAKEUP TESTS FOR ANY REASON. The weight from a missed test will be transferred to the final exam PROVIDING the absence is due to a serious illness, a family emergency or a university-sponsored event. You must provide me with a formal note regarding the situation – preferably before the exam – plus a phone call or note from a physician or other relevant person.

All requests for review of graded work must be made promptly (within one week of the return of the work) and must be in writing. The request should include clear analysis of why you are requesting a re-grade. The full exam will be re-graded with the possibility that your score will be lowered on the question under review or others.

Communication and Website

Students are welcome to stop by my office during office hours or by appointment. I also respond to e-mail questions as quickly as possible. We have a WebCT website for the course. The website will include the powerpoint slides that accompany the lectures, important notices, answers to problems discussed in class, and identification of materials of interest to the class. You are responsible for all information announced in class or posted on the website, including changes to the course syllabus and schedule.

Preparation

The website provides a more detailed schedule. All assigned material should be read before class. Suggested problems are designed to reinforce the material covered. Solutions will be available on the course website.

Tentative Outline of Topics

I & II. Introduction and Tools

Review Chapters 1 and 2.

Chapter 3: Arbitrage and Financial Decision Making

Chapter 4: The Time Value of Money

Chapter 5: Interest Rates

Chapter 6: Investment Decision Rules

III. Basic Valuation

Chapter 7: Fundamentals of Capital Budgeting

Chapter 8: Valuing Bonds

Chapter 9: Valuing Stocks

IV. Risk and Return

Chapter 10: Capital Markets and the Pricing of Risk

Chapter 12: The Capital Asset Pricing Model

V. Capital Structure

Chapter 14: Capital Structure in a Perfect Market

Chapter 15: Debt and Taxes

Chapter 16: Financial Distress, Managerial Incentives, and Information

Chapter 17: Payout Policy

VI. Valuation

Chapter 18: Capital Budgeting and Valuation with Leverage

Chapter 19: Valuation and Financial Modeling: A Case Study

Other topics as time allows.