

Corporate Finance (FINA 4200)
The Terry School of Business, University of Georgia Fall 2007

Course Description

The purpose of this course is to introduce techniques of financial analysis, with emphasis on Corporate Finance. The main topics covered include (1) the time value of money and the net present value rule; (2) valuation of bonds and stocks; (3) capital budgeting decisions; (4) uncertainty and the tradeoff between risk and return; (5) corporate Financing decisions.

Professor Ginger Wu

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Office Hours: Tuesday Thursday 2:00-3:00am in 439 Brooks Hall

Teaching Assistants

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Course Material

Required:

S. A. Ross, R. W. Westerfield and J. F. Jaffe, Corporate Finance, 7th Edition, McGraw-Hill Irwin, 2005. (Referred to as RWJ in the course outline.)

Additional material may be distributed in class or on the web.

A scientific or business calculator

Recommended:

Solutions Manual for use with Corporate Finance (7th edition), McGraw-Hill Irwin, 2005.

Problem Sets

There will be eight problem sets. You will be rewarded full credit on the problem set if you have made a good-faith effort to answer all of the questions, and if you hand in the problem set on time. Late problem sets will not be accepted. One point each for each problem set. A case problem will be assigned later in the semester. You are required to form a presentation group of 5-6 people and one or more persons in each group needs to present the results of the study of the case. There will be eight quizzes during the whole semester and 1 point for each quiz. Those who get full points (8 points) in quizzes can be awarded additional 5 points.

Grading

Grades will be based on the first midterm exam (30%), the second midterm exam (30%) the Final exam (15%), problem sets (8%), case study (9%), quiz (8%).

Exam Schedule:

All regrade requests must be made in writing within one week of the day the exams are returned. Any exam submitted for regrading of a question will be subjected to a complete regrading of the whole exam questions. There is no make-up exam but you can choose

to drop the lowest midterm exam grade if you can't take the regular exam for legitimate reasons (You need to present the proof such as doctor note, ect.). If you get As in both first and second midterm (not including A-), you have the option not to take the final and still get the 15% credits.

Study Groups

You are encouraged to work in groups on the problem sets, but you must hand in your own answers. It is also highly recommended that you regularly review the readings and class notes with your study group.

Course Schedule

Readings in brackets are optional

Additional handouts may be distributed in class and on the web.

Dates are approximate

a) Value and Capital Budgeting

Ch. 4 Net Present Value

Ch. 5 How to Value Bonds and Stocks

Ch. 6 Some Alternative Investment Rules

Ch. 7 Net Present Value and Capital Budgeting

Thurs. 08/16 Introduction and NPV rule

RWJ: [1-3], 4.1, Appendix 4A

Tues. 08/21 Present Value, Yields and Returns

RWJ: 4.2, 4.3

Tues. 08/23 Present Value, Yields and Returns (cont.)

RWJ: 4.4, 4.5

Thurs. 08/28 Applications to Fixed Income Valuation

RWJ: 5.1 [5.2] 5.3

Tues. 08/30 Applications to Fixed Income Valuation (cont.) PS 1 due

RWJ: Appendix 5A (pp 134-140 only)

Thurs. 09/04 Applications to Equity Valuation

RWJ: 5.4, 5.5

Tues. 09/06 Applications to Equity Valuation (cont.)

RWJ: 5.6 5.8

Thurs. 09/11 Capital Budgeting: NPV vs. Internal Rate of Return

RWJ 6.1, [6.2-6.4], 6.5, 6.6, [6.7, 6.8]

Tues. 09/13 Capital Budgeting in Practice PS 2 due
RWJ: 7.1 7.2, 7.3

Thurs. 09/18 Capital Budgeting in Practice (cont.)
RWJ: 7.4, 7.5

b) Risk and Portfolio Analysis

Ch. 9 Capital Market Theory: An Overview
Ch. 10 Return and Risk: The Capital-Asset-Pricing Model (CAPM)
Ch. 12 Risk, Return, and Capital Budgeting
Ch. 13 Corporate-Financing Decisions and Efficient Capital Markets

Thurs. 09/20 Review and more practice
PS 3 due

Tues. 9/25
First midterm in class

Tues. 9/27 Expected Returns and Risk
RWJ: 9.1, 9.2 9.3, 9.4 10.1 10.2

Thurs. 10/02 Expected Returns and Risk
RWJ: 10.3 10.4 10.5 10.6

Tues. 10/04 Portfolio Analysis: Gains from Diversification
RWJ: 10.7 10.8, 10.9 PS 4 due

Thurs. 10/9 Portfolio Analysis: Capital Allocation & Line Capital Asset Pricing Model
RWJ: 12.1-12.3

Tues. 10/11 Capital Budgeting under Uncertainty
RWJ: 12.4, 12.5

Thurs. 10/16 Overview of Financing and Market Efficiency
RWJ: 13.1-13.6, PS 5 due

Tues. 10/18
Review and more practice

Tues. 10/23
Midterm2

c) Capital Structure

Ch. 15 Capital Structure: Basic Concepts
Ch. 16 Capital Structure: Limits on Use of Debt
Ch. 17 Valuation and Capital Budgeting for the Levered Firm

Thurs. 10/30 Capital Structure
RWJ: 15.1, [15.2], 15.3

Tues. 11/2 Capital Structure
RWJ: 15.4, 15.5

Tues. 11/06 Capital Structure
16.1, 16.2, 16.4, [16.5-16.10]
PS 6 due

Thurs. 11/08 Valuation and Capital Budgeting with Leverage
RWJ: 17.1, [17.2], 17.3, 17.

Tues. 11/13 Valuation and Capital Budgeting with Leverage (cont.) PS 7 due
RWJ: 17.5-17.7

Tues 11/15 Valuation and Capital Budgeting with Leverage (cont.)
RWJ: 22.1-22.4, [22.5], 22.6

Tues 11/20 Valuation and Capital Budgeting with Leverage (cont.)
RWJ: 22.1-22.4, [22.5], 22.6

Tues 11/27 Case study PS 8 due

Thurs 11/29 Case presenting

Tues 12/04 Review and practice

Thurs 12/06 in class quiz

****All academic work must meet the standards contained in "A Culture of Honesty."
Students are responsible for informing themselves about those standards before
performing any academic work.**

The link to more detailed information about academic honesty can be found at:
<http://www.uga.edu/ovpi/honesty/acadhon.htm>

The course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.

