

Econ 135: Corporate Finance

Summer 2015

Last updated: 6/18/15

Instructor: Kai Pommerenke, Ph.D., CFA (kpommere@ucsc.edu)
Office hours: MW 12:30 – 1:30 pm and by appointment, 429 E2
Class meets: MW 9:00 am - 12:30 pm, 192 E2
TA: David Munro (dmunro@ucsc.edu)
Website: <https://piazza.com/ucsc/summer2015/econ135>

Course objectives and methodology

The course is an introduction to the financial management of a business: it will help you understand financial news, know about the financial aspects of running a business and work in a job that requires a grasp of corporate finance.

The course will be taught as a flipped classroom: you read the textbook at home to learn new material, and we apply, practice, test and extend your knowledge in class. Each class starts with a quiz about the assigned readings. Every student must bring a calculator, and one in every two students must bring a laptop to EVERY class.

Course requirements and evaluation

- News presentation (about current or past news) 5%
- Simulations (capital budgeting and working capital management) 10%
- In-class essays (about financial concepts) 15%
- Problem sets (due every Wednesday and Friday by 11:59 p.m.) 20%
- Final exam (Wednesday, July 22, in class; chapters 1-16) 20%
- Clickers (for reading quizzes, mini quizzes and participation points) 30%

Each news presentation should last 1 to 2 minutes and should address the what, why and how of a financial news story. You'll complete two online simulations. The in-class essays test your understanding of financial concepts. Problem sets are online; the one with the lowest percentage score will be dropped. The final exam will mostly contain questions from the homework and the in-class essays, and can be taken on the given date *only*.

You'll use clickers to answer graded questions about the required readings and for mini quizzes, and ungraded questions for everything else. You get one participation point for every answer plus an additional point for the correct answer on graded questions. To account for excused absences and technical problems, your final clicker score will be $\min(100\%, \text{initial percentage} * 10/9)$, i.e., you'll get the full credit if you get 90% of clicker points.

Grades: You'll need 60% for a D, 70% for a C, 80% for a B- and 90% for an A-. There will be no curve.

If you qualify for classroom accommodations because of a disability, please submit your authorization letter from the DRC (831-459-2089 and drc@ucsc.edu) to me within the first week.

Required readings and resources

- Essentials of Corporate Finance (any ed.), by Ross, Westerfield & Jordan; McGraw-Hill (\$0.01 - 210)
- Simulations from [HBS course website](#) (\$30.00)
- iClicker remote or [iClicker GO app](#) (\$9.99 - 35)
- [Accepi](#): homework website: accepi.com/register?t=6PdDbCwB (\$9.95)
- [Piazza](#): use this for all Q&A instead of email (except personal issues), even anonymously (free)
- Financial news from [The NYT](#), [The Economist](#), [Reuters](#), [book blog](#), etc. (free)

Schedule

Day	Topic	Required readings BEFORE class
M, 6/22	Intro, corp. governance, fin. statements, Excel	RWJ 1-3, IPO man , Excel
W, 6/24	Time value of money, Netflix case	RWJ 4, 5
M, 6/29	Bond and stock valuation	RWJ 6, 7
W, 7/1	NPV and capital budgeting, Ocean Carriers case	RWJ 8, 9
M, 7/6	Risk and return, cost of capital, Marriott case	RWJ 10, 11, 12
W, 7/8	Simulation, Southwest Airlines case	Simulation background
M, 7/13	Capital structure, UST case	RWJ 13
W, 7/15	Dividend policy, raising capital	RWJ 14, 15
M, 7/20	Working capital management, simulation	RWJ 16, simulation background
W, 7/22	Personal finance, final exam	