

Econ 135: Corporate Finance

Summer 2017

Last updated: 8/1/17

Instructor: Kai Pommerenke, Ph.D., CFA (kpommere@ucsc.edu)
Office hours: M 12:30-2PM and by appointment, 429 E2
Class meets: MW 9:00AM-12:30PM, Physical Sciences 140
Canvas: <https://canvas.ucsc.edu/courses/5360>

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%
- Essays (in-class or at home) 15%
- Participation (clickers and discussions) 15%
- Project (in group of 2 to 4 students) 15%
- Final exam (Wednesday, August 30, in class; chapters 1-13, 15) 20%
- Online homework and quizzes 30%

Each news presentation should address the what, why and how of a financial news story. You can get 5 points for presenting (2 pts. for choosing a news item relevant to the course, 1 pt. for speaking for 1 to 2 minutes (time yourself during practice), 1 pt. for keeping eye contact and only glancing occasionally at your notes and 1 pt. for quoting fewer than 4 numbers) and 1 bonus point if you can answer a meaningful question from the class.

The essays test your understanding of financial concepts. Your lowest score will be dropped.

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, you'll get 10 bonus points. If you use a physical iClicker remote, register it on Canvas (free).

The project is a capital budgeting exercise done in a spreadsheet: you can work on it in groups of 2 to 4 students.

The final exam will contain essay questions about financial concepts and numerical problems similar to the homework and can be taken on the given dates only.

The online quizzes are similar to the homework and mainly test numerical problem solving. If you are stuck on a homework problem, you can request to see the solution at a cost of 2 points per request and tackle the problem again with different numbers. Once you've finished a problem, you can practice it again as often as you want, without affecting your recorded score. The assignment (homework or quiz) with the lowest percentage score will be dropped.

Grades: You'll need 60% for a D, 73% for a C, 80% for a B- and 90% for an A-. There will be no curve and no extra credit.

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 two weeks.

Required readings and resources

- Essentials of Corporate Finance (any ed.), by Ross, Westerfield & Jordan; McGraw-Hill (\$0.01 - 210)
- iClicker remote (any) or iClicker Reef app (\$15 - 35)
- [Canvas](#): use this to access lecture notes and look up your grades (free)
- Accepi (access through Canvas, disclosure: I'm a co-founder) (free)
- Piazza (access through Canvas): use this for all Q&A instead of email (except personal issues) (free)
- Financial news from [The NYT](#), [The Economist](#), [Reuters](#), [book blog](#), etc. (free)

Schedule

Day	Date	Topic	Required readings/work before class
1	7/31	Intro, corporate governance, Excel	RWJ 1, IPO man , Excel Primer , You suck at Excel
2	8/2	Financial statements and ratios	RWJ 2, 3
3	8/7	Time value of money	RWJ 4, 5
4	8/9	Bond and stock valuation	RWJ 6, 7
5	8/14	NPV and capital budgeting	RWJ 8, 9
6	8/16	Risk and return, cost of capital	RWJ 10-12
7	8/21	Project analysis	
8	8/23	Capital structure and raising capital	RWJ 13, 15
9	8/28	Personal finance	If you can
10	8/30	Final exam	RWJ 1-13, 15