

MGT 408: Finance

Full time MBA, Winter 2012

PROFESSOR: Joey Engelberg

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OFFICE LOCATION: Otterson Hall, Room 3S136

OFFICE HOURS: Wednesday, 3:45 p.m. – 5:00 p.m. and by appointment

FACULTY ASSISTANT: Spencer Goodwin [s1goodwin@ucsd.edu]

COURSE DESCRIPTION

This course is designed to provide you with a strong foundation of the fundamental concepts in corporate finance and investments. Broad topics include discounting and present values, market efficiency, risk and return, bond and stock valuation, CAPM, weighted average cost of capital, the Modigliani-Miller proposition, debt financing, determinants of corporate debt policy, firm valuation, and an introduction to financial and real options. We will seek a balance between theoretical paradigms, the empirical facts, and their applicability to real world issues. Emphasis will be placed on general principles and problem solving. Lectures, homework, and exams will concentrate on both quantitative and conceptual foundations. If you master the course material, you will be comfortable in applying the basic principles of corporate finance and will be well prepared for more advanced courses in finance.

Prerequisites: None

CLASS TIME AND OFFICE HOURS

The class time is Mondays and Wednesdays from 2:00 pm to 3:45 p.m. in Otterson Hall Room 1E107. Office hours will be held in my office, 3S136, on Wednesdays from 3:45 p.m. to 5:00 p.m.. If you cannot see me during office hours, please e-mail me for an appointment.

COURSE MATERIALS

1) The text for the course is: Ross, Westerfield, S.A. and Jaffe J., 2008, Corporate Finance, 9th edition. McGraw-Hill Irwin. This is called RWJ below.

2) All other material (e.g., homeworks, cases, articles, etc.) will be posted on RADAR.

EVALUATION AND GRADING:

Homeworks/Cases may be done in groups of no more than five people, with one report per group. For homeworks and cases, please turn in a document which is no more than five pages.

There will be one take-home midterm and one in-class final exam. **The final exam will be 1:30-4:30 p.m. on Monday, March 19.**

All exams must be done individually. Absolutely no collaboration is allowed on the midterm or final.

Grade Distribution:

Homeworks/Cases: 30% (5 at 6% each)

Midterm: 30%

Final exam: 40%

*There will be 6 homeworks. I will drop your lowest homework grade.

**The final exam is cumulative. If the score on your final exam is higher than your midterm exam score I will replace your midterm score with your final exam score.

SCHEDULE

The following class schedule is tentative. We will sometimes take a little bit more and sometimes a little bit less time for a topic than planned. I will announce any adjustments in class.

Session 1 (January 9):

Topic: Introduction to course. Introduction to Present Value.

After-Class Reading: RWJ Chapter 4

Session 2 (January 11):

Topic: Security Valuation and Capital Budgeting Under Uncertainty.

After-Class Reading: RWJ Chapters 5 and 6

Assignment: Homework #1 Posted

Sessions 3 and 4 (January 23): ** 1:30 p.m. – 4:30 p.m. *****

Topic: Security Valuation and Capital Budgeting Under Uncertainty.
Risk and Return I - Diversification and Portfolio Choice.

After-Class Reading: RWJ Chapter 9

Assignment: Homework #1 Due, Homework #2 Posted

Session 5 (January 25):

Topic: Risk and Return I - Diversification and Portfolio Choice.

After-Class Reading: RWJ Chapter 10

Session 6 (January 30):

Topic: Risk and Return II - The CAPM and Valuation under Uncertainty

After-Class Reading: RWJ Chapter 11

Assignment: Homework #2 Due

Session 7 (February 1):

Topic: Risk and Return II - The CAPM and Valuation under Uncertainty

After-Class Reading: RWJ Chapter 12

Assignment: Homework #3 Posted

Session 8 (February 6):

Topic: Market Efficiency.

After-Class Reading: RWJ Chapter 14

Session 9 (February 8):

Topic: Derivative Securities.

After-Class Reading: RWJ Chapter 22

Assignment: Homework #3 Due, Midterm Exam Posted

Session 10 (February 13):

Topic: Derivative Securities.

After-Class Reading: RWJ Chapter 23

Session 11 (February 15):

Topic: The Yield Curve and the Term Structure of Interest Rates.

After-Class Reading: RWJ Chapter 8

Assignment: Midterm Exam Due, Homework #4 Posted

Session 12 (February 22):

Topic: Financing Irrelevance in Perfect Markets: Modigliani-Miller.

After-Class Reading: RWJ Chapter 16

Session 13 (February 27):

Topic: Financing Irrelevance in Perfect Markets: Modigliani-Miller.

Assignment: Homework #4 Due, Homework #5 Posted

Session 14 (February 29):

Topic: Capital Structure I.

After-Class Reading: RWJ Chapter 17

Session 15 (March 5):

Topic: Capital Structure II.

Assignment: Homework #5 Due

Session 16 (March 7):

Topic: Capital Structure III.

After-Class Reading: RWJ Chapter 18

Session 17 (March 12):

Topic: Payout Policy and Raising Capital in Imperfect Markets

After-Class Reading: RWJ Chapters 19 and 20

Session 18 (March 14):

Topic: Conclusions and Review

Assignment: Homework #6 Due, Final Exam Posted

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ACADEMIC INTEGRITY

Integrity of scholarship is essential for an academic community. As members of the Rady School, we pledge ourselves to uphold the highest ethical standards. The University expects that both faculty and students will honor this principle and in so doing protect the validity of University intellectual work. For students, this means that all academic work will be done by the individual to whom it is assigned, without unauthorized aid of any kind.

The complete UCSD Policy on Integrity of Scholarship can be viewed at: <http://www-senate.ucsd.edu/manual/appendices/app2.htm#AP14>

STUDENTS WITH DISABILITIES

A student who has a disability or special need and requires an accommodation in order to have equal access to the classroom must register with the Office for Students with Disabilities (OSD). The OSD will determine what accommodations may be made and provide the necessary documentation to present to the faculty member.

The student must present the OSD letter of certification and OSD accommodation recommendation to the appropriate faculty member in order to initiate the request for accommodation in classes, examinations, or other academic program activities. **No accommodations can be implemented retroactively.**

Please visit the [OSD website](#) for further information or contact the Office for Students with Disabilities at (858) 534-4382 or osd@ucsd.edu.