

University of Virginia

Department of Economics

ECON 4350
Corporate Finance
Fall 2021
Tue Th 3:30 – 4:45

Instructor: C. Dylan McGee
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Office Hours Tue Th 8:30 – 9:30 and 12:45 – 1:45

Text: Brealey, Richard A., Stewart C. Myers and Alan J. Marcus. 2020. *Fundamentals of Corporate Finance*, 10th Edition. New York: McGraw-Hill.

Course Description: Introduction to principles and techniques utilized in the financial management of business. Topics to be covered include: interpretation of financial statements, ratio analysis, present value, bond valuation and interest rates, stock valuation, net present value analysis, risk and return, cost of capital, and capital structure. Most class time will be spent on lecture and practice problems.

Course Objective: To gain an understanding of the basic ideas and terminologies that are essential for literacy in business finance.

Evaluation:

Regular attendance based on in class activity in lecture AND showing up for discussion (10%)
(up to 5 missed meetings can be offset by the make-up option at the end of this syllabus)

Six Quizzes (30%) on the following dates

Th 9/2 Th 9/16 Th 9/30 Th 10/28 Th 11/11 Th 12/2

(I do not do make up quizzes, but your lowest can be replaced with a 100 via the same make-up option described at the end of the syllabus- that works for a bad quiz or a zero, so it's wise to do it!)

Midterm: (30%) Th 10/14

Final Exam: (30%) Tues 12/14 9 am – noon

a comprehensive final (with a bit more emphasis on the 2nd half of the material)

I will provide suggested practice problems and study topics in advance of all quizzes and exams

Some extra weight can be placed on the final if it is stronger than the midterm

I might ask you to do individual or partnered work in Excel on laptops. There will probably be 1 or 2 days when I ask you (ahead of time) to bring a laptop. Other times we will work with calculators.

Course Outline:

Introduction

Chapter 1 Goals and Governance
Chapter 2 The Financial System
Chapter 3 Accounting and Finance
Chapter 4 Measuring Corporate Performance

Value

Chapter 5 The Time Value of Money
Chapter 6 Valuing Bonds
Chapter 7 Valuing Stocks
Chapters 8, 9 and 10 Net Present Value and other Criteria for Project Analysis

Risk and the Cost of Capital

Chapter 11 Risk, Return, and the Opportunity Cost of Capital
Chapter 12 Beta and CAPM
Chapter 13 The Weighted Average Cost of Capital

Debt and Capital Structure

Chapter 16 Debt Policy

I will use Power Point presentations that will be made available thru Collab, but I will also use the board frequently.

I will give you a heads up about which chapter/chapters we are doing each week as we proceed. I want to have some flexibility rather than pinning down the time allotted to each chapter in advance. I will give you enough info to do the reading in advance of each meeting. But the most important thing will be to take good notes and read before the quizzes and test after you know what I cover in class. You are only responsible for the material covered in class and the recommended practice problems. The teaching assistants will help you with review and practice problems in discussions.

There is a lot more material in the text than we have time to cover, but the above listed chapters are the most essential. All the chapters above will be covered pretty thoroughly, with the exception of chapters 9 and 10. We may dip into a few additional topics if there is time during the final week of class.

Make-up Grade Boosting Optional Presentation and Comments

You will be able to “perfect” your lowest quiz (change it to 100) **and** get 5 absences offset by doing the following oral report project and commentary. Both the attendance grade boost AND the quiz benefit will be given if you do this, so most students will benefit from doing the project. FYI- I take 2 pts off your attendance average per missed meeting (including discussion sections and lectures) so if you miss 5 you would have a 90% average and the make-up gives you a 10 point boost to 100% for attendance (adding 1% to your overall course average). I do not go above 100%, but the quiz boost is likely to help even if you have strong attendance. So plan to do a group or individual video presentation toward the end of the semester (and plan to watch another groups video).

You may do a 6 minute solo video or form a small group to do a video with roughly 4 minutes per person (i.e. 12 minutes for a group of three). Collaborating with others is encouraged (hence the shorter per person time requirement since collaborative synthesis is meaningful work). **Videos will be due by the last day of classes 12/7 and you should email me a 50 word comment/response on another group (or individual) video** to demonstrate you watched at least one other video (on a different topic from your own). Sending comments can be done after 12/7 if needed. The videos should be submitted to the media gallery in collab, where I can activate them to be seen by classmates interested in the topics.

Here is a list of potential topics (note that the text has helpful chapters on many of the topics)

- 1) IPOs (this might encompass SPACs and/or Direct Listings if you like)
- 2) Mergers and Acquisitions
- 3) Private Equity and Leveraged Buyouts
- 4) Bankruptcy
- 5) Venture Capital
- 6) Currency Risk Management
- 7) Meme Stocks, Payment for Order Flow, and the Robinhood IPO (or the January shut-down)

I am open to other topics based on current events as well (ala topic 7). For example, issues related to Chinese companies listed on U.S. exchanges and speculation about Chinese policy. Or the current push for a global minimum corporate tax. Or other issues involving the complexity of multi-national taxation. Or the growing importance of ESG metrics impacting companies (such as the Exxon proxy battle). Or the older question of whether Sarbanes Oxley caused a move toward private rather than public status. Many potential topics overlap with others, so you can use your discretion. Foreign students may have greater knowledge of international corporate finance issues that would be interesting to me and your fellow students. I am not looking for original research so much as a good explanation of historical episodes and ongoing events, so sources based on financial journalism are a good starting point.

FYI- I am open to accepting a shorter video or even just the comments on another video if you are someone with a stronger set of quizzes and attendance marks (like if you have 96%

on attendance **and** your lowest quizzes is above 85% so that you are getting a smaller boost from this make-up). Use common sense to judge your own situation and motivation.