EWamba 203: Finance
Haas School of Business
University of California, Berkeley
Syllabus Spring 2017

Instructor

Office:
Email: 
Office Hours: by appointment

Class Schedule

Oski
Lectures: Saturdays, 9am-1pm, in C220
*No class on 4/1

Axe
Lectures: Saturdays, 2pm-6pm, in C210
*No class on 4/1

Midterm: April 15 at 6pm (due April 22 at 9am)

Final: May 13, 10am-1pm for both cohorts, no exception

GSI Sections

Monday, 7pm-8.30pm. The sections will be broadcasted through Adobe Connect and will be posted online for later viewing.
Graduate Student Instructors

Email: [redacted]
Office Hours: Wednesday: 7pm – 8:30pm (only after prior email appointment)

Course Overview

This is the introductory MBA course in finance. It is designed to help students (i) develop a set of tools useful for making financial decisions, (ii) develop a basic understanding of financial markets, and (iii) prepare students for future coursework.

We will move quickly through a wide number of topics. We start by covering present value and future value. We then discuss criterion for making investment decisions and how to project cash flows. We apply these concepts to evaluate new projects (e.g., starting a company). Next we turn to financial markets with the objective of providing an introduction to bonds, stocks, diversification, optimal portfolio choice and develop an understanding for how risky cash flows are valued. With an understanding of how asset prices are determined, we return to corporate finance decisions. We assess the appropriate measure of project risk and use this to calculate investors’ required return (the cost of capital) for a given project. We will also analyze the impact of leverage on the cost of capital. The course concludes with a discussion of market efficiency.

Course Website

We will use bCourses for circulating slides, problem sets, and other materials. These materials are intellectual property of the Haas School of Business so please do not repost. The HBS cases are available on study.net. Finally, the textbook has a website, which will be used for quizzes (details below).

Required Textbook

The required text is Corporate Finance, 4th Edition, by Jonathan Berk and Peter DeMarzo, with access to MyFinanceLab. This is available in the Cal bookstore.

Feel free to get the book in whatever form you’d like (e.g., electronic, unbound, or bound). Make sure that you also purchase access to MyFinanceLab. If you already have a copy of the textbook but not an access code, you can buy an access code as part of the login process. Copies of the textbook are also available on reserve in the library.

MyFinanceLab

There will be weekly quizzes administered through MyFinanceLab (the textbook’s online resources). To register for access to the course in MyFinanceLab, see the Student Registration Handout posted on bCourses. The Course ID is: sraer99411.
**Microsoft Excel**

We will use Microsoft Excel extensively throughout the course. Be sure you have Excel and that you have installed the Analysis Toolpak and Solver. To activate the Toolpak and/or Solver, from Excel Options go to “Add-Ins” to activate. If you are using a Mac, please be sure to use Microsoft Office for Mac 2016 which is available for free for all Haas students. Haas Technology Solutions [http://groups-new.haas.berkeley.edu/HCS/index.html](http://groups-new.haas.berkeley.edu/HCS/index.html) has instructions about how to download and install this software.

Students should be prepared to bring a laptop with Microsoft Excel to each class. Laptops are not permitted during lecture and discussion periods, but will be used during in-class exercises and cases. Chapters 4 and 5 in the textbook contain an introduction to some of the key financial functions in Excel.

Financial calculators are not required for this class, though you are welcome to use one if you already know how.

**Classroom Norms**

We will adhere to the 5 norms identified by Haas students as important for a good learning environment.

1. Laptops/tablets/etc. are not allowed during lecture periods, except for specific in-class Excel exercises and case discussions.
2. Smart phones are expected to remain in bags and on silent except during the 20 minute break.
3. Attendance is mandatory. Please be in your seat 3 minutes before class starts.
4. Do not arrive late to class.
5. Leaving during class is not allowed except during personal emergencies.

**Seating**

Please bring your name plate to class and have it displayed throughout the semester. A seating chart will be formed on the first day of class so please pick a seat for the entire term.

**Preparation/Participation**

Time does not allow for all topics to be covered in detail in the classroom. Therefore, out of class preparation is a necessary compliment to in class learning. You are responsible for all material covered in assigned readings, whether or not we have time to cover it in class.

Prior to each class, there will be a list of items that you need to complete in order to be prepared for class that day. You will find this list on bCourses (under Assignments ⇒ Preparation). Preparation before class is expected as it will aid your understanding of material presented in class and your ability to make positive contributions. Your participation grade will be determined (in part) by your ability to demonstrate preparedness in class.
The GSI and I will keep track of who is prepared for class and who is making valuable contributions to the classroom discussion. Your participation grade is not determined by the quantity of times that you raise your hand or speak up in class, but rather on the quality of your comments and the value added to the rest of class.

**MyFinanceLab Quizzes**

Each week there will be a short quiz covering the material from the lectures. The quiz is administered online through myfinancelab.com. Quizzes are designed so as to help you learn the basic concepts and prepare for the topics to be covered in class. Quizzes should be done individually and you should attempt the questions prior to the classes on the week in which they are due. There is no limit as to how much time you are allowed to spend on the quiz nor how many times you can attempt the quiz. The point of the quizzes is less about me assessing your knowledge and more about helping you prepare for class and build a basic understanding of the concepts. The quiz is officially due Friday at 11:59pm, though ideally you should attempt (and perhaps complete) the quiz prior to class.

**GSI Problems/Sessions**

The best way to learn the material is to work through a variety of problems of varying difficulty. I will assign around 3 harder problems each week. You do not have to turn these in and they will not be part of your grade. However, attempting to solve these problems will be a good preparation for the final exam.

The GSI (Andy) will cover these problems on Mondays in the GSI session. If there are additional topics you want the GSI to cover, please let him know by Sunday afternoon.

**Cases**

There will be a total of 5 cases (3 full length and 2 “short” cases) in class. Please read the case and prepare case answers before class. Answers to the cases should be turned in (via bCourses) prior to the class in which they are discussed. You are encouraged to work together in groups of no more than four to prepare your answers. You should submit one set of answers per group. You cannot switch study groups during the semester.

You are not expected to get all the questions correct, but you should make a reasonable attempt at each so that you are prepared to actively discuss answers to the case questions in class.

**Workload**

The course has been designed so that the median student will spend 5-6 hours per week outside of class studying finance. Those of you with a strong background in finance will spend less time and find most of the material straightforward. Those of you with little or no background in finance will spend more time and will find some of the material quite difficult.
**Extra Problems**

Students looking for additional practice of the topics covered in the course are welcome to use the study plan tab in MyFinanceLab for an adaptive learning experience.

**Midterm Exam**

There is a **take-home** midterm, which will be provided on April 15 at 6pm and will be due on April 22 at 9am.

**Final Exam**

The final exam is scheduled for Saturday, May 13, from **10am to 1pm for all cohorts** (location TBD). All students must take the exam at this time - no exceptions. You will use your laptop to complete the final exam. Power outlets will be available in the room during the final exam. The exam will be open books: you may use your notes, the lecture slides, as well as the textbook. You are not allowed to access the Internet.

**Grades**

Your overall course grade will be based on participation, quizzes, cases, and final exam according to the following:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percent of Grade</th>
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<tbody>
<tr>
<td>Attendance and Participation</td>
<td>5</td>
</tr>
<tr>
<td>MFL quizzes</td>
<td>15</td>
</tr>
<tr>
<td>Cases</td>
<td>20</td>
</tr>
<tr>
<td>Take-home Midterm</td>
<td>20</td>
</tr>
<tr>
<td>Final Exam</td>
<td>40</td>
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</tbody>
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For both quizzes and cases, your lowest score will be dropped.

**Academic Cohort Representatives**

These representatives serve as an important source of communication between the class and the MBA program office and will administer course evaluations.

**Regrade Policy**

If you feel that there was an error made in grading your exam, you can submit your exam to the GSI along with a written explanation of the grading error for a regrade. In this case, the entire exam will be regraded and therefore your score may go up or down. Regrade requests must be made within three days of the graded exams being made available to students. Regrade requests made after this period will be automatically denied. All scores from regraded exams are final.
Honor Code

Students who take this class are bound by the Haas and UC Berkeley Code of Conduct. For reference please see: http://www.haas.berkeley.edu/MBA/academics/academic/code-of-conduct.html. Nothing less than strict adherence will be tolerated.

In the case of individual assignments (quizzes and the final exam), this means that each student is fully responsible for completing each assignment on his or her own. That is, no communication about these assignments with anyone is allowed. Likewise, accessing solutions from the internet or from any third party will also constitute a breach of the code of conduct. Any violations of this will result in an F grade in the class and possibly further action.

Course Outline

Below is an outline for the material we will cover in this course. Required reading and preparation for each class can be found on bCourses (under Assignments ⇒ Preparation). Some topics may run over to the next lecture. Consequently, we may fall behind the listed schedule at some points. Depending on the material covered, assignments may change during the semester. Any changes will be announced via email and posted on bCourses.
<table>
<thead>
<tr>
<th>Class #</th>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>03/17</td>
<td>Evaluating Investment Decisions</td>
</tr>
<tr>
<td>2</td>
<td>03/17</td>
<td>Putting Present Value to Work</td>
</tr>
<tr>
<td>3</td>
<td>03/24</td>
<td>Decision Rules&lt;br&gt;<code>The Present Value of an MBA Education</code></td>
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<tr>
<td>4</td>
<td>03/24</td>
<td>Capital Budgeting</td>
</tr>
<tr>
<td>5</td>
<td>04/08</td>
<td>Forecasting Cashflows and Valuation&lt;br&gt;<code>Teuer Furniture (A)</code></td>
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<tr>
<td>6</td>
<td>04/08</td>
<td>Stock Valuation</td>
</tr>
<tr>
<td>7</td>
<td>04/15</td>
<td>Bond Valuation, Term Structure, and Rate Risk&lt;br&gt;<code>Teuer Furniture (B)</code></td>
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<tr>
<td>8</td>
<td>04/15</td>
<td>Diversification</td>
</tr>
<tr>
<td>9</td>
<td>04/22</td>
<td>Optimal Portfolio Choice</td>
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<tr>
<td>10</td>
<td>04/22</td>
<td>The Capital Asset Pricing Model (CAPM)&lt;br&gt;<code>Efficient Asset Management</code></td>
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<tr>
<td>11</td>
<td>04/29</td>
<td>Using CAPM to get the Cost of Capital</td>
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<tr>
<td>12</td>
<td>04/29</td>
<td>Capital Structure I</td>
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<tr>
<td>13</td>
<td>05/06</td>
<td>Capital Structure II (WACC and APV)&lt;br&gt;<code>The Cost of Capital at Ameritrade</code></td>
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<tr>
<td>14</td>
<td>05/06</td>
<td>Market Efficiency</td>
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Saturday, May 13, 10am-1pm, Final Exam