

# Syllabus

## UGBA 103, Introduction to Finance – Fall 2009



**instructor:** Professor Marcus M. Opp ([marcus.opp@berkeley.edu](mailto:marcus.opp@berkeley.edu))

**office:** F647

**office hours:** Mondays: 9.45 am – 11.00 am in F647

**class time:** Mon and Wed, 08:00 am – 09:30pm, F295 (Andersen Auditorium).

**GSI:** Ziemowit Bednarek ([bednarek@haas.berkeley.edu](mailto:bednarek@haas.berkeley.edu), OH: Thu 11am-1pm, F689)

James McLoughlin ([jmcloughlin@haas.berkeley.edu](mailto:jmcloughlin@haas.berkeley.edu), OH: Tu 4pm-6pm, F621)

Adam Yonce ([yonce@haas.berkeley.edu](mailto:yonce@haas.berkeley.edu), OH: Mo 2pm-4pm, F689)

**Class Reps:** TBA

**sections:** Sections are a good time for students to get help with problem sets, review course concepts, and ask questions in a relaxed environment. The first section is on **Friday, August 28**, 2009.

**overview:** This is an introductory course in finance. Students learn how to value assets and businesses given forecasts of future cash flows. The course also concentrates on the risk characteristics of different asset classes. The first part of the course focuses on stocks, bonds and interest rates. The second part of the course deals with measuring and pricing risk. The third part of the course introduces students to valuation. The final part of the course introduces students to derivative instruments. This course will combine the theoretical underpinnings of finance with real-world examples, including several case discussions.

- required text:**
- Corporate Finance, by Jonathan Berk and Peter DeMarzo, published by Addison Wesley, 2008.
    1. Hardcopy (most expensive) or
    2. Looseleaf edition or
    3. Etext:
  - **IMPORTANT NOTE:** You will need the **My Finance Lab Access Kit** (see below): This kit is already included in the book versions you can buy on campus. Important note: If you buy a used book or international version of the book you need to buy a separate license for \$50 at: [http://www.myfinancelab.com/student\\_wizard.php](http://www.myfinancelab.com/student_wizard.php)

- myFinanceLab:**
- Register at [http://www.myfinancelab.com/student\\_wizard.php](http://www.myfinancelab.com/student_wizard.php)
  - Course ID: **XL0C-T1RJ-501Y-3622**
  - **USE EXACTLY** the NAME listed in the **BERKELEY REGISTRAR**
  - **Register by September 04, 2009. Otherwise you will be automatically dropped from the class!**

- also required:**
- Any calculator that can calculate an IRR (internal rate of return) is sufficient for this class. Some financial calculators (like the HPC 12C) have other functions that are helpful, but these functions are NOT necessary for the purpose of this class. The GSIs will ONLY support the calculator HPC 12C.
  - Access to a computer with Internet access and Microsoft Excel (or comparable spreadsheet program) to complete homeworks and the group project.

**optional texts:** Fundamentals of Corporate Finance, by Robert Parrino and David Kidwell, published by Wiley, 2009. (This book is very well written and recommended to students who have very basic problems with Finance.)  
Principles of Corporate Finance, 9<sup>th</sup> Edition, by Richard A. Brealey, Stewart C. Myers and Franklin Allen, published by Irwin McGraw-Hill, 2008

**homepage:** We will be using bspace.

**readings:** You are expected to do the assigned readings **before** each class. Some topics that are very important (e.g. CAPM) will be covered in great detail. In these cases, the readings serve to reinforce what is covered in class. However, time does not allow all topics to be covered in such detail. Therefore, the readings are necessary. Reading ahead is expected as it will aid your understanding of material presented in class. Re-reading after class is encouraged as it will help solidify the concepts just presented.

**attendance:** Attending class and GSI sessions will help you learn the material, aid class discussions, and benefit your fellow students. Please attend all classes, and be in your seats, ready to work, **by 08:05am**. Of course, a few students might miss class on rare occasions due to illness or family emergencies. This is to be expected. Sorry, but attending part of a class (arriving late or leaving early) is not an option. Attendance of the GSI session will enter the final grade.

**time:** We expect the median student to spend at least 2 hrs per day studying finance outside of class everyday (based on a six day week.) Time should be spent doing practice problems, preparing case studies, reading the textbook, and reviewing class notes.

**grades:** Your overall course grade will be based on homeworks (My finance lab), one midterm, one group project (up to 4 members) and a final exam. Questions about the grading of any exam or assignment, including (but not limited to) requests for re-grading, must be made to the GSI within one week of the time that the exam or assignment is returned to you. All questions and requests must be in writing.

Homeworks:	10.0 %
Attendance GSI section	5.0%
mid-term	25.0 %
Group Project	10.0 %
<u>final exam:</u>	<u>50.0 %</u>
total	100.0 %

- homeworks:** The assigned homeworks (see bspace) have to be completed by the due date. No exceptions!
- sections:** GSI-run sections are provided to help students review the course material on a weekly basis. You need to attend at least 10 out of 14 sessions to get full credit. (You get 0.5% for each GSI session) This is an excellent time to ask questions outside the classroom.
- mid-term:** There is one in-class midterm on October 14, 2009. All students must take the exam at this time – no exception. The midterm is worth 25% of the course grade.
- group project:** Form groups of 3-5 students for the group project due December 02, 2009. More information will be provided during the semester
- final exam:** There is a final exam in this course, scheduled by the university for Monday, 14-Dec-2009, from 08:00am – 11:00am. All students will take the exam at this time – no exceptions.
- option:** Students have two (mutually exclusive) options:  
 1) Drop mid-term, and having the final count for 75% of the final grade.  
 2) Drop Homeworks, Attendance GSI section & Group project and having the final count 75% of the final grade
- The most beneficial option is **automatically** invoked at the end of the course!
- cheating** If you are caught cheating in one exam (midterm or final) you will automatically fail the class. No excuses!

**ethics and etiquette:**

Students who take this class are bound by the Haas code of ethics. For reference please see: <http://www.haas.berkeley.edu/Undergrad/ethicscode.html>. Nothing less than strict adherence will be accepted. In certain situations (homework problems sets, case preparations) students may work together in **small** groups of no more than five, but each student is still responsible for submitting, understanding, and being able to discuss the material in class on his or her own.

We ask students to refrain from behavior that has been demonstrated to interfere with a positive classroom experience. This especially includes holding any type of side conversation (voice, electronic, telepathy, etc.) and using laptops to surf the Web, check e-mail, etc.

**Deadlines Summary**

First class:	August 26, 2009
First GSI session:	August 28, 2009
MyFinanceLab registration	September 04, 2009, 12 pm
Midterm:	October 14, 2009, 8 am (sharp) – 9.30am
Group Project due:	December 02, 2009
Final:	December 14, 2009, 8am-11am

## Organization of Class:

<b>Sub-Topic</b>	<b>Agenda</b>	<b>Reading Assignments</b>
	<b>Module 1 – Investors, Firms and Financial Decision Making</b>	
1	The Corporation Cash flows associated with stocks, bonds and certain derivatives.	1.1 (1.2-1.3 is background info)
2	How investors make decisions, NPV Rule, Present Value Calculations	3.1-3.3 4.1-4.6
3	Interest Rates, Carloan Case	5.1, 5.2
4	Alternative Valuation Methods	6.1-6.3 (no incremental IRR)
5	Capital Budgeting: Understanding the role of taxes	7.1, 7.2
	<b>Module 2 – Valuation of Securities</b>	
1	Introduction to Pricing of Securities, No-Arbitrage, efficient markets and Security Prices	3.4-3.5
2	Bond Pricing Spot rates, forward rates, bond prices and yield to maturity. Real and nominal interest rates.	8.1-8.3
3	Simple stock valuation, Dividend Growth Model, Comparables	9.1-9.2, 9.4
4	Statistics Overview	10.1-10.3, 11.1-11.3
5	The Capital Asset Pricing Model. Portfolio theory and the relationship between risk and return.	10.4-10.8, 11.4-11.6,12
	<b>Module 3 – Capital Structure</b>	
1	Capital Structure in Perfect Markets, Modigliani-Miller Theorem	14
2	Capital Structure with Taxes, Firm Valuation	15.1-15.3, 18.1-18.3, 18.6
3	Payout Policy (if time permits)	17
	<b>Module 4 – Derivatives</b>	
1	Introduction to Options	20
2	Option Valuation (if time permits)	21