

Professors Benjamin Hébert and Eben Lazarus

Offices: F624 (Hébert) and F686 (Lazarus)

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Office Hours (Lazarus): Tues. 4:30PM-5:30PM, F686 or Zoom (berkeley.zoom.us/my/eben.lazarus)

Class time

UGBA103-1: M/W, 9.30AM-11AM; Chou Hall N100

UGBA103-2: M/W, 11AM-12.30PM; Chou Hall N100

Graduate Student Instructors and Reader

Graduate Student Instructors:

Bernardo Lembi Ramalho Maciel, bernardo_maciel@berkeley.edu. OH: Th. 9AM-11AM, F633

Adhyati (Didi) Pritakinari, adhyati_pritakinari@berkeley.edu. OH: M/W 1PM-2PM, F421

UGBA103-1 GSI Sessions:

101 Friday 9.30AM-11AM (Didi), Cheit C110

102 Friday 12.30PM-2PM (Bernardo), Cheit C210

103 Friday 3.30PM-5PM (Bernardo), Chou N170

UGBA103-2 GSI Sessions:

201 Friday 8AM-9.00AM (Bernardo), Cheit C110

202 Friday 12.30PM-2PM (Didi), Chou N170

203 Friday 2PM-3.30PM (Didi), Chou N170

Reader for both lectures: Gene Woo Kang, gene_kang@berkeley.edu

– Reader office hours available by appointment

Course Overview

This is an introductory course in finance. Students learn how to value assets 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 the decision rules under certainty. 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 deals with financing decisions. The course will combine the theoretical underpinnings of finance with real world applications. Overall, by the end of this course, you will have a strong understanding of the way that finance professionals think about decisions, market investments, and how firms should optimize.

Course Resources

We will be using bCourses, MyFinanceLab, and study.net.

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. In addition, the textbook has a website, which will be used for the assignments (details below).

Required Text and Assignment Tool

Corporate Finance, by Jonathan Berk and Peter DeMarzo, 5th Edition, plus "MyLab Finance for Berk/DeMarzo: Corporate Finance 5th Edition."

MyFinanceLab Homework

Access to MyFinanceLab will be available on bCourses via a link to MyLab and Mastering. To learn finance, we suggest you do a large number of problems. Doing problems has been proven to be the best (only) way to learn finance. The homework assignments on MyLab have to be completed by the due date. The lowest score on the homework will not enter your homework grade.

Late homework will not receive credit. In exceptional circumstances we will drop additional homework assignments from the final grade, at our discretion or as provided by disability-related accommodations.

Cases

The case materials will be available on bCourses via a link to Study.net. Students are required to complete and hand in 3 cases during the semester. Cases should be solved in groups. A group should consist of 5 students. In exceptional cases, we allow group sizes of 3 to 5 students.

Late cases will not receive credit. We will excuse groups from turning in cases only in the event of unexpected circumstances affecting *all* group members.

GSI Problems/Sessions

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 12 sessions to get full credit (you get 1 point for each GSI session). This is an excellent time to ask questions outside the classroom.

We will not give full credit for section attendance to students who miss three or more sections. Please do not email the teaching team with requests to be excused, with the exception of students with a relevant disability accommodation.

Mid-term Exam

There is one in-class midterm on March 11, 2024. All students must take the exam at this time. A midterm is worth 30% of the course grade.

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. In this case, the entire exam will be regraded and therefore your score may go up or down. Regrade requests must be made within five 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.

Final Exam

There is a final exam in this course, on May 6, 7PM–10PM for lecture 1, and May 7, 7PM–10PM for lecture 2. All students take the exam at this time. Given that final exams occur at the end of the term, we do not generally return the exams to students, and regrades are not available.

Laptop/Microsoft Excel/Calculator

Any calculator that can calculate an IRR (internal rate of return) is sufficient for this class, but we recommend that you purchase a HP 12C financial calculator, which has several other financial functions. There are two versions, regular and platinum. You may want to buy the platinum version, which is slightly more expensive, but which allows regular notation in addition to reverse polish notation (RPN). If you do not know what reverse polish notation is, it is recommended you buy the platinum version. The GSIs will ONLY support the calculator HP 12C.

Access to a computer with Microsoft Excel (or comparable spreadsheet program) is necessary to complete some homework assignments. Chapters 4 and 5 in the textbook contain an introduction to some of the key financial functions in Excel.

Readings

You are expected to do the assigned readings before each class. Time does not allow all topics to be covered in detail in the class room. Therefore, the readings are necessary. You are responsible for all material covered in assigned readings, whether or not we have time to cover it in class. 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 at the beginning of class. Of course, a few students might miss class on rare occasions due to illness or family emergencies. This is to be expected. Attending part of a class (arriving late or leaving early) is not an option. Attendance of the GSI session is mandatory. **UGBA 103-1 students should attend sessions 101, 102, or 103; UGBA 103-2 students should attend sessions 201, 202, or 203.**

Workload

The median student will spend about 10 hours per week (2 hours per day) studying finance outside of class. Time should be spent doing problem sets, practice problems, preparing case studies, reading the textbook, and reviewing class notes.

Email Policy

The professors and GSIs will try to respond to emails within two working days. We cannot guarantee a timely response to students who email us less than two working days before a deadline. You should also feel free to use the Discussions feature on bCourses to discuss course material or logistics with each other or with us.

Grades

Your overall course grade will be based on:

<u>Component</u>	<u>Percent of Grade</u>
Cases + Homework	20%
Attendance GSI section	10%
Mid-term	30%
Final Exam	40%

Grades for all assignments and exams are pooled across both lectures and all sections.

Grade Policy

Students have two (mutually exclusive) options, in addition to the grade formula above:

1. Drop the mid-term score, and have the final count for 70% of the final grade. However, this option is valid only if the midterm has been taken.
2. Drop Case+Homework and Attendance GSI section and having the final count 70% of the final grade.

The most beneficial option is automatically invoked at the end of the course.

NOTE: Midterm participation is mandatory. If you do not attend the midterm and also miss the final you cannot opt for an "incomplete!"

If you are caught cheating in one exam (midterm or final) you will automatically fail the class. No excuses!

Ethics, Etiquette, and Accommodations

Students who take this class are bound by the Berkeley Honor Code. For reference please see: <https://teaching.berkeley.edu/berkeley-honor-code>. Nothing less than strict adherence will be accepted. In certain situations (cases) students may work together in small groups of no more than five. In the case of homework problem sets, each student is still responsible for submitting, understanding, and being able to complete the case 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.).

The use of laptops, smartphones, etc., during class is prohibited, with the exception of students with accommodation-related needs.

If you have a disability, or think you may have a disability, you can work with the Disabled Students' Program (DSP) to determine any accommodations you may need to have equal access in this course. Please submit your DSP letters of accommodation as soon as possible, as accommodations are not retroactive and it may not be possible to accommodate last-minute requests.

If you anticipate or experience any barriers to learning in this course, please feel welcome to discuss your concerns with any member of the teaching team.

Course Schedule

Below is an outline of the material we will cover in this course. All sections and chapters refer to the textbook by Berk and DeMarzo. Some topics may run over to the next lecture.

Course schedule

Class 1 (1/17) Hébert and Lazarus	topic reading	Course introduction <i>Chapter 1</i>
Class 2 (1/22, Hébert)	topic reading practice problem	Time value of money <i>Chapter 4</i> <i>Chapter 4: 5,6,7,8,13,16,17,21,26,34</i>
Class 3 (1/24, Hébert)	topic	Time value of money

GSI Session 1 (1/26)

Class 4 (1/29, Hébert)	topic	Time value of money
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————— Homework #1 in MyLab (due: by end of day Sunday, 2/18!) —————

Class 5 (1/31, Hébert)	topic reading	Interest Rates <i>Chapter 5</i>
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GSI Session 2 (2/2)

Class 6 (2/5, Hébert)	topic	Interest Rates
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Class 7 (2/7, Hébert)	topic reading practice problem	Valuing Bonds <i>Chapter 6</i> <i>Chapter 6: 2,6,10,17,20</i>
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GSI Session 3 (2/9)

Class 8 (2/12, Hébert)	topic Case 1	Valuing Bonds HBS Case 9-298-080: Fixed income valuation, questions 1, 2 and 3 (due: by end of day Friday, 2/23)
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Class 9 (2/14, Hébert)	topic reading reading reading practice problem practice problem	Capital Budgeting <i>Chapter 3: Section 3.3 - The NPV Rule</i> <i>Chapter 7: Investment Decision Rules</i> <i>Chapter 8: Capital Budgeting</i> <i>Chapter 7: 2,3,4,7,8,9,10,19,31</i> <i>Chapter 8: 2,4,6,8,10,12,13,17</i>
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GSI Session 4 (2/16)

Class 10 (2/21, Hébert)	topic	Capital Budgeting
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GSI Session 5 (2/23)

Class 11 (2/26, Hébert)	topic	Capital Budgeting
Class 12 (2/28, Hébert)	topic Case 2	Capital Budgeting HBS case 9-298-092: Valuing capital investment projects (due: by end of day Friday, 3/8)

————— Homework #2 in MyLab (due: by end of day Sunday, 3/10!) —————

GSI Session 6 (3/1)

Class 13 (3/4, Hébert)	topic reading practice problem	Valuing Stocks <i>Chapter 9: Valuing Stocks (except Section 5)</i> <i>Chapter 9: 1-15,17</i>
Class 14 (3/6, Hébert)	topic	Valuing Stocks

GSI Session 7 (3/8)

Class 15 (3/11)		!!! Mid-term Exam !!!
Class 16 (3/13, Lazarus)	topic reading practice problem	Statistics Review and Optimal Portfolio selection <i>Chapter 11: Optimal Portfolio Choice (Section 1-4)</i> <i>Chapter 11: 1,2,9,10,21,22,23,24,25,31,34,35</i>

GSI Session 8 (3/15)

Class 17 (3/18, Lazarus)	topic reading reading practice problem practice problem	The CAPM <i>Chapter 11: Optimal Portfolio Choice (Section 5-8)</i> <i>Chapter 12: Estimating the Cost of Capital (Section 1-3)</i> <i>Chapter 11: 38,45,46,47,48,50</i> <i>Chapter 12: 1,2,3,6</i>
Class 18 (3/20, Lazarus)	topic	The CAPM

————— Homework #3 in MyLab (due: by end of day Sunday, 4/7!) —————

No GSI session this week (3/22)

Class 19 (4/1, Lazarus)	topic reading practice problem	M&M and Market Efficiency <i>Chapter 14: Capital Structure in Perfect Market</i> <i>Chapter 14: 1,2,3,4,6,8,13,15,16,17</i>
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Class 20 (4/3, Lazarus)	topic	M&M and Market Efficiency
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GSI Session 9 (4/5)

Class 21 (4/8, Lazarus)	topic reading practice problem	Valuing a Firm With and Without Taxes <i>Chapter 15: Debt and Taxes</i> <i>Chapter 15: 1,3,6,8,14,18,19</i>
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Class 22 (4/10, Lazarus)	topic	Valuing a Firm With and Without Taxes
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————— Homework #4 in MyLab (due: by end of day Sunday, 4/21!) —————

GSI Session 10 (4/12)

Class 23 (4/15, Lazarus)	topic Case 3	Valuing a Firm With and Without Taxes HBS case 9-218-095: Valuing Snap After the IPO Quiet Period (A) (due: by end of day Friday, 4/26)
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Class 24 (4/17, Lazarus)	topic reading practice problem	Interaction of Investment and Financing Decisions <i>Chapter 18: Capital Budgeting and Valuation with Leverage</i> <i>Chapter 18: 7,8,9</i>
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GSI Session 11 (4/19)

Class 25 (4/22, Lazarus)	topic	Interaction of Investment and Financing Decisions
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Class 26 (4/24, Lazarus)	topic	Overview and Review
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GSI Session 12 (4/26)

————— Good luck! —————

Final exam (5/6)	7PM-10PM	Final exam for UGBA103-1
Final exam (5/7)	7PM-10PM	Final exam for UGBA103-2