1. General Information

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Office Hours: drop in or by appointment.

2. Course Description

This is an MBA level introductory course in Corporate Finance. We will learn about how firms make investment and financing decisions. By the end of the quarter, students should be well-grounded in the basic tools of corporate finance including: net present value calculations, estimating cost of capital, financing choices available to the firm, distribution policies available to the firm, and the evaluation of investments available to the firm.

3. Prerequisites

The readings and lectures presume a good working knowledge of statistics (through linear regression techniques). If you have any doubts about your statistical background, you should consult the instructor as soon as possible. In addition, it is assumed that students have a strong foundation in accounting.

4. Textbooks, Problem Solutions, and Class Handouts

The textbook for this course is Corporate Finance, 7th edition, by Ross, Westerfield, and Jaffe (ISBN 0072829206).

Lecture notes will be made available on the course web page (my.ucdavis.edu). I will send out e-mail notification when new lecture notes are available.
5. **Course Requirements**

A. **Midterm Examination: 0% or 30% of course grade**

You must take the midterm exam to pass the course, but your score on the midterm will only be counted if it helps your final grade. Exam is closed book and closed notes.

B. **Final Examination: 40% or 70% of course grade**

Exam is closed book and closed notes.

C. **Homework: 30% of course grade**

There are two homeworks required during the quarter. Each homework is a case study about a topic that we will cover in class.

6. **Exam Make-Up Policy**

If a student is unable to take the exam during the scheduled exam time for personal or professional reasons, that student must provide a written request to make alternative arrangements at least one week prior to the scheduled exam. Students will not be allowed to make up the exam after the scheduled exam has been administered.

7. **Reading List and Topic Sequence**


Specific reading assignments will be announced one class session in advance on the class outlines. The reading assignment should be completed before the class meets. The course will follow the general sequence set out below, though this outline may be modified during the course of the quarter.

Answers to end-of-chapter problems are posted on the course web page at my.ucdavis.edu.
Management 205 -- Financial Theory and Policy  
Spring 2005  
TENTATIVE Class Schedule

<table>
<thead>
<tr>
<th>Class</th>
<th>Date</th>
<th>Day</th>
<th>Textbook Reading</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>April 4/6</td>
<td>M/W</td>
<td>1-2</td>
<td>Business Organizations; Cash Flow Accounting</td>
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<tr>
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<td></td>
<td></td>
<td>NPV and all that...</td>
</tr>
<tr>
<td>2</td>
<td>April 11/13</td>
<td>M/W</td>
<td>5</td>
<td>Stock &amp; Bond Valuation</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Alternatives to NPV</td>
</tr>
<tr>
<td>3</td>
<td>April 18/20</td>
<td>M/W</td>
<td>7</td>
<td>Capital Budgeting</td>
</tr>
<tr>
<td>4</td>
<td>April 25/27</td>
<td>M/W</td>
<td>8</td>
<td>Dec. Trees &amp; Sensitivity Analyses</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Capital Market Theory</td>
</tr>
<tr>
<td>5</td>
<td>May 2/4</td>
<td>M/W</td>
<td>10</td>
<td>The Capital Asset Pricing Model</td>
</tr>
<tr>
<td>6</td>
<td>May 9/11</td>
<td>M/W</td>
<td></td>
<td>MIDTERM</td>
</tr>
<tr>
<td>7</td>
<td>May 16/18</td>
<td>M/W</td>
<td>12</td>
<td>The Cost of Capital</td>
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<td></td>
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<td></td>
<td>Market Efficiency</td>
</tr>
<tr>
<td>8</td>
<td>May 23/25</td>
<td>M/W</td>
<td>14-15</td>
<td>Capital Structure and Long-Term Financing</td>
</tr>
<tr>
<td>9</td>
<td>June 1*</td>
<td>Wed</td>
<td>16-17</td>
<td>Capital Budgeting for the Levered Firm</td>
</tr>
<tr>
<td>10</td>
<td>June 6/8</td>
<td>M/W</td>
<td>19</td>
<td>Venture Capital; Issuing Equity; Summary</td>
</tr>
<tr>
<td>11</td>
<td>June 13/15</td>
<td>M/W</td>
<td></td>
<td>FINAL EXAM</td>
</tr>
</tbody>
</table>

Holidays: Monday, May 30

* JOINT MONDAY/WEDS CLASS MEETING
Suggested End-of-Chapter Problems

To reinforce material that is covered in class, you should review the following end-of-chapter problems. Answers to these questions are available on my.ucdavis.edu.

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Topic</th>
<th>Problems &amp; Homework</th>
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<tbody>
<tr>
<td>1</td>
<td>Business Organizations</td>
<td>None</td>
</tr>
<tr>
<td>2</td>
<td>Cash Flow Accounting</td>
<td>4, 5, 6, 8</td>
</tr>
<tr>
<td>4</td>
<td>NPV and all that...</td>
<td>5, 11, 16, 17, 24, 25, 36, 37, 40, 46, 47,50</td>
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<tr>
<td>5*</td>
<td>Stock &amp; Bond Valuation</td>
<td>1, 2, 17, 20, 23, 31, 33</td>
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<td>6**</td>
<td>Alternatives to NPV</td>
<td>1, 9, 10</td>
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<tr>
<td>7</td>
<td>Capital Budgeting</td>
<td>1, 3, 7, 16, 18, 24</td>
</tr>
<tr>
<td>8</td>
<td>Decision Trees &amp; Sensitivity Analyses</td>
<td>2, 4, 19</td>
</tr>
<tr>
<td>9</td>
<td>Capital Market Theory</td>
<td>10, 11, 12, 17</td>
</tr>
<tr>
<td>10</td>
<td>The Capital Asset Pricing Model</td>
<td>5, 10, 15, 18, 24-26, 30, 36, 38</td>
</tr>
<tr>
<td>12</td>
<td>The Cost of Capital</td>
<td>4, 9, 10, 11, 13</td>
</tr>
<tr>
<td>13</td>
<td>Market Efficiency</td>
<td>3, 4, 5, 11, 16, 17, 22</td>
</tr>
<tr>
<td>14</td>
<td>Long-Term Financing</td>
<td>1, 2, 3, 4, 9, 10, 11</td>
</tr>
<tr>
<td>15</td>
<td>Capital Structure</td>
<td>2, 6, 9, 10, 11, 16, 19</td>
</tr>
<tr>
<td>16***</td>
<td>Limits to the use of Debt</td>
<td>3, 4, 5, 7, 8, 9</td>
</tr>
<tr>
<td>17</td>
<td>Capital Budgeting for the Levered Firm</td>
<td>1, 6, 7, 9, 11</td>
</tr>
<tr>
<td>19****</td>
<td>Venture Capital; Issuing Equity</td>
<td>1, 2, 4, 5, 8, 9, 18, 19</td>
</tr>
</tbody>
</table>

* Skip appendix of chapter 5.
** Skip 6.4 (accounting rate of return) of chapter 6.
*** Skip 16.9 (personal taxes) of chapter 16.
**** Skip 19.6 – 19.7 (rights offerings) of chapter 19.