

UC - Davis
Graduate School of Management

Management 205
Financial Theory and Policy

Brad M. Barber
Winter 2020

1. General Information

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Professor Office Hours: Tuesdays, 3:30 to 4:30 pm (or by appointment).

TA: Yumeng Gu, ymgu@ucdavis.edu

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 a cost of capital, financing choices available to the firm, distribution policies available to the firm, and the evaluation of investments available to the firm. To address these issues, we will also discuss a number of investment-related topics including market efficiency, security pricing, and modern portfolio theory.

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 and understand income statements, cash flow statements, and balance sheets.

4. Textbooks, Problem Solutions, and Class Handouts

Text: Corporate Finance: The Core, fifth edition, by Berk and Demarzo (ISBN 13: 978-0-13-518379-3).

You must read the assigned chapters PRIOR to live session classes.

During class, you will be asked to apply the concepts discussed in the reading to problems.

5. Grading

Grading will be based on the following five components:

Midterm	30%
Group Case Assignments	20%
Class Participation	10%
Final Exam	40%

A. Midterm

Exam is closed book, closed notes exam. You may use a financial calculator or EXCEL. You must show and/or explain calculations to receive partial credit. A common formula sheet will be distributed for your use during the exam.

Your final exam score can be used to replace your midterm score.

B. Case Writeups:

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

Homework assignments should be completed in groups of 3-6 students. Instructions for submitting homework and due dates will be provided in the assignment instructions.

C. Class Participation

Your class participation score will be based on regular and constructive involvement in class. This will include being prepared for class by completing assigned reading, asking constructive and thoughtful questions, participation during in-class projects, and regular participation in iClicker questions/polling.

D. Final Examination

Exam is closed book, closed notes exam. You may use a financial calculator or EXCEL. You must show and/or explain calculations to receive partial credit. A common formula sheet will be distributed for your use during the exam.

6. Make-Up Policy

If a student is unable to take an 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.

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.

8. Community

As we work together and engage with each other within and outside of our class, I want it to be clear that it is important to engage in dialogue and interactions that are respectful to all. This means that when we disagree or if we have a difference of opinion, we engage in a way that is not disparaging to anyone. This applies in our classroom discussions, both in large and small groups, as well as when you are working in a group away from class. Part of your training in this program is to be able to negotiate diverging viewpoints and values, which is an integral skill in the business world given our rich diversity. Please contact me if you have questions or concerns about this expectation. We want the GSM learning environment to be supportive and one that honors the unique talents each of us brings to the program.

9. Academic Code of Conduct

Students are responsible for complying with the [UC Davis Academic Code of Conduct](#). A violation of the Code may result in "...disciplinary sanctions that include censure, probation, suspension, deferred separation or dismissal from the University of California."

Management 205 -- Financial Theory and Policy
Winter, 2015
TENTATIVE Class Schedule
UC Davis Graduate School of Management

Week	Assignments	Readings
1		Ch 1: The Corporation and Financial Markets Ch 2: Introduction to Financial Statement Analysis
2		Ch 3: Financial Decision Making and the Law of One Price Ch 4: The Time Value of Money
3		Ch 7: Investment Decision Rules Ch 8: Fundamentals of Capital Budgeting
4	Case 1	<i>Case 1 Discussion</i> Ch 5: Interest Rates
5	MIDTERM	
6		Ch 6: Valuing Bonds Ch 9: Valuing Stocks
7		Ch 10: Capital Markets and the Pricing of Risk Ch 11: Optimal Portfolio Choice and the CAPM
8		Ch 12: Estimating the Cost of Capital Ch 13: Investor Behavior and Capital Market Efficiency
9		Ch 14: Capital Structure in a Perfect Market
10	Case 2	<i>Case 2 Discussion</i> Ch 14: Capital Structure in a Perfect Market (cont'd) Class Summary
11	FINAL	