



## MGV 205V: FINANCIAL THEORY AND POLICY

**Course Designer:** Professor Brad M. Barber

### 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.

### Course Materials

**Text:** Corporate Finance: The Core, fifth edition, by Berk and Demarzo.

**You must read the assigned chapters PRIOR to the weekly live sessions.**

During live sessions, you will be asked to apply the concepts discussed in the reading and asynchronous session to problems.

### Course 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.

### Course Assessments

Grading will be based on the following four components:

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

**A. Midterm Exam (Week 5, 30% of final grade)**

Exam is open book, open 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 provided for your use during the exam.

**Your final exam score can be used to replace your midterm score if your final exam score is better than your midterm exam score.**

**B. Group Case Assignments: (each worth 10% of final grade; 20% total)**

There are two (2) case writeups required during the quarter. Each assignment is a case study about a topic that we will cover in the course. The first case assignment will be due 24 hours prior to the Week 4 Live Session. The second case assignment will be due 24 hours prior to the Week 10 Live Session.

Case analysis assignments should be completed in groups of 3-6 students.

Assignment instructions will be delivered by the section instructor. The instructions will cover writeup requirements, expectations, and submission instructions.

**C. Participation (10% of final grade)**

Your class participation score will be based on regular and constructive involvement in class. This will include Live Session attendance, completing the ungraded course material (e.g., async material and online quizzes), being prepared for class by completing assigned reading, asking constructive and thoughtful questions, participation during in-class projects, and regular participation questions/polling.

**D. Final Exam (Week 11, 40% of final grade)**

Exam is open book, open 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.

**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.

In general, students should adhere to the [UC Davis Principles of Community](#), copied below.

The University of California, Davis, is first and foremost an institution of learning and teaching, committed to serving the needs of society. Our campus community reflects and is a part of a society comprising all races, creeds, and social circumstances. The successful conduct of the university's affairs requires that every member of the university community acknowledge and practice the following basic principles:

We affirm the inherent dignity in all of us, and we strive to maintain a climate of justice marked by respect for each other. We acknowledge that our society carries within it historical and deep-rooted misunderstandings and biases, and therefore we will endeavor to foster mutual understanding among the many parts of our whole.

We affirm the right of freedom of expression within our community and affirm our commitment to the highest standards of civility and decency toward all. We recognize the right of every individual to think and speak as dictated by personal belief, to express any idea, and to disagree with or counter another's point of view, limited only by university regulations governing time, place, and manner. We promote open expression of our individuality and our diversity within the bounds of courtesy, sensitivity, and respect.

We confront and reject all manifestations of discrimination, including those based on race, ethnicity, gender, age, disability, sexual orientation, religious or political beliefs, status within or outside the university, or any of the other differences among people that have been excuses for misunderstanding, dissension, or hatred. We recognize and cherish the richness contributed to our lives by our diversity. We take pride in our various achievements, and we celebrate our differences.

We recognize that each of us has an obligation to the community of which we have chosen to be a part. We will strive to build a true community of spirit and purpose based on mutual respect and caring.

## Management 205V – Financial Theory and Policy Course Schedule

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	<b>Case 1</b>	<i>Case 1 Discussion</i> Ch 5: Interest Rates
5	<b>MIDTERM</b>	
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
9		Ch 13: Investor Behavior and Capital Market Efficiency
10	<b>Case 2</b>	<i>Case 2 Discussion</i> Ch 14: Capital Structure in a Perfect Market (cont'd) Class Summary
11	<b>FINAL</b>	