

**University of Chicago**  
**Harris School of Public Policy Studies**  
**Corporate Finance Public Policy 34410**  
**Winter 2022**

Lecturer: David H. Schabes

Prerequisites: Completion of Harris core Microeconomics sequence I & II and Statistics sequence I & II or instructor's permission

Dates: January 4, 2022 – March 10, 2022. Final Exam: Week of March 6

Time: TTH 200 PM – 320 PM. Location: Keller 0023

Office: 1307 East 60<sup>th</sup> Street, Room 3045

Office Hours: TBD.

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Teaching Assistants:

Teaching Assistant Sessions: TBD Office Hours: TBD

**Course Description:** This course presents an introduction to the principles of corporate finance and its applications. These principles are critical to understanding the nature of how corporations and many government entities present their financial condition, finance themselves and manage their financial risks. We will examine corporate structure, evaluation of new projects, financial planning and governance. Perspectives will include those of debt and equity holders as well as key management members, including the Chief Executive Officer, Chief Financial Officer and Treasurer. Additional material relating to the public policy issues that certain corporate decisions create will be considered. There will be eight graded problem sets to support most areas.

**Grading:** There will be a final examination during the last class period. There will be eight graded problem sets accompanying approximately once a week. In addition, students may purchase *connect* online access, which provides additional practice problems.

The course grade will be based on the following:

- Mid-term Exam 30%
- Final Exam 30%
- Problem Sets 35%
- Class Participation 5%

All University of Chicago students are expected to uphold the highest standards of academic integrity and honesty. Among other things, this means that students shall not represent another's

work as their own, use un-allowed materials during exams, or otherwise gain unfair academic advantage. All students suspected of academic dishonesty will be reported to the Harris Dean of Students for investigation and adjudication. The disciplinary process can result in sanctions up to and including suspension or expulsion from the University. In addition to disciplinary sanctions, I will impose a penalty of a grade of 0 on the exam or problem set in question and the student cannot earn higher than a B- in the course for students who have committed academic dishonesty. The Harris policy and procedures related to academic integrity can be found at <https://harris.uchicago.edu/gateways/current-students/policies>. The University of Chicago Policy on Academic Honesty & Plagiarism can be found at <https://studentmanual.uchicago.edu/academic-policies/academic-honesty-plagiarism/>

### **Text and Other Readings:**

Brealey, Richard A., Stewart C. Myers, and Franklin Allen. 2020. *Principles of Corporate Finance*. Thirteenth edition. New York, NY: McGraw-Hill Education. *connect* online tool will be available but not required.

Other relevant readings will be assigned from time to time.

### **READINGS on PG&E, Greensill, WeWork and Wirecard**

**A financial calculator is required.** They are available from the Bookstore or online retailers. Models which suffice include (should cost no more than \$30):

Texas Instruments BA II Plus  
HP 10bII+  
HP 12 C or CP

**Phone based calculators may not be used for quizzes or exams**

**Weekly Schedule:**

<b>Date/Readings and Assignments</b>	<b>Lecture Topics</b>
January 4  <b><u>Brealey et al Chapter 1</u></b>	<b><i>Course Introduction and Corporate Organizations</i></b>
January 6  <b><u>Brealey et al Chapter 2</u></b>	<b><i>Present Value Calculation</i></b>
January 11  <b><u>Brealey et al Chapter 3</u></b>	<b><i>Bond Valuation</i></b>
January 13  <b><u>Brealey et al Chapter 4</u></b> <b><u><a href="#">PG&amp;E Article</a></u></b>  Problem Set 1 Due	<b><i>Equity Trading and Valuation</i></b>
January 18  <b><u>Brealey et al Chapter 5</u></b>	<b><i>Net Present Value and Other Investment Criteria</i></b>
January 20  <b><u>Brealey et al Chapter 6</u></b>  Problem Set 2 Due	<b><i>Making Investment Decisions with the NPV Rule</i></b>

Date/Readings and Assignments	Lecture Topics
January 25  <u>Brealey et al Chapter 7</u>	<i>Introduction to Risk and Return</i>
January 27  <u>Brealey et al Chapter 8</u>  Problem Set 3 Due	<i>Portfolio Theory and Capital Asset Pricing</i>
February 1  <u>Brealey et al Chapter 9</u>	<i>Risk and the Cost of Capital</i>
February 3	<i>Mid-term Exam in class</i>
February 8  <u>Brealey et al Chapter 10</u>	<i>Project Analysis</i>
February 10  <u>Brealey et al Chapter 11</u>  Problem Set 4 Due	<i>Ensuring Positive NPV</i>

Date/Readings and Assignments	Lecture Topics
February 15  <u>Brealey et al Chapter 14</u>	<i>An Overview of Corporate Finance</i>
February 17  <u>Brealey et al Chapter 15</u>  Problem Set 5 Due	<i>How Corporations Issue Securities</i>
February 22  <u>Brealey et al Chapter 17</u>	<i>Does Debt Policy Matter?</i>
February 24  <u>Brealey et al Chapter 18</u>  Problem Set 6 Due	<i>How Much Should a Corporation Borrow? Part I</i>
March 1 <a href="#">Greensill Article</a>	<i>How Much Should a Corporation Borrow? Part II</i>
March 3  <u>Brealey et al Chapter 23</u>  Problem Set 7 Due	<i>Credit Risk and the Value of Corporate Debt</i>
March XX Final Exam	<i>TBD</i>