

**University of Chicago**  
**Harris School of Public Policy Studies**  
**Corporate Finance Public Policy 34410**  
**Winter 2023**  
**As of January 18, 2023**

Lecturer: David H. Schabes

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

Dates: January 3, 2023 – March 10, 2023. Final Exam: March 7 200PM – 400PM

Time: TTH 200 PM – 320 PM. Location: Keller 0010

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

Office Hours: M 200 PM – 300 PM, TH 330 PM – 430 PM or by appointment

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Teaching Assistants: Aditya Anmol  
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Teaching Assistant Sessions: 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 seven graded problem sets to support most areas.

**Grading:** There will be a final examination during the last class period. There will be seven 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.

Periodic assigned readings are available through the links embedded in the weekly schedule below.

**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**

### **In Person Instruction Covid Addendum**

This course is planned as an in-person experience, and students are expected to attend class at the Keller Center, with some exceptions as discussed below. Our practices and expectations include the following:

- We will use seating charts to facilitate any needed contact tracing. During each week of class, I will pass around a sign-in sheet during each class meeting. On the sign-in sheet, please write your name next to your seat number.
- Students must wear masks properly—covering both nose and mouth--at all times while in the classroom. Students who fail to comply will be reported to the Harris Dean of

Students and [UCAIR](#), the University's incident reporting system for COVID-19 safety matters.

- We ask that students not eat or drink during class.
- Please display your name tent every class so that I can more easily call on you by name.
- Because instructors, too, must comply with University teaching protocols, I will wear a face mask while in the classroom.

That said, of course, public health and/or personal health circumstances vary across individual members of the University community and may change abruptly with limited notice. Students, TA's, and instructors may need to participate remotely for a short time or, in some limited instances, for the entire quarter. To guide expectations and plans, please note the following:

- **If you are experiencing COVID-19 symptoms or are required to isolate, do not come to class!**
  - As soon as possible, contact me or the TA by email if you cannot attend class for this reason. You should not send me medical information / doctors' notes or the results of any COVID-19 test.
  - Students are expected to abide by the University's [COVID-19 health requirements](#) AND its specific [Protocol for Addressing Confirmed or Suspected COVID-19 Exposures](#). Note that the Protocol, which addresses self-monitoring, testing, and isolating requirements, represents evolving guidance and is subject to change.
  - Any member of the University community who tests positive for COVID-19 should inform the University contact tracing team at [C19HealthReport@uchicago.edu](mailto:C19HealthReport@uchicago.edu).
  - Students missing class for short spells during the term are encouraged to watch class on Zoom either live or via recordings of class sessions, and otherwise participate in class as fully as possible, health permitting.
- **A limited number of students may have permission to participate remotely for the entire quarter.**
  - The Harris Dean of Students Office makes these determinations and informs instructors of enrolled students with permission.
  - Enrolled students with remote status are encouraged to participate in class via live streaming, watch Zoom recordings of class sessions, and otherwise participate in class as fully as possible, health permitting. We may use dual-modal instructional technology to facilitate class participation of students with remote status.
- **If I find that I cannot teach in person at some point during the term, I will communicate this as soon as possible to all the relevant stakeholders, including students!**
  - Health permitting, I will teach remotely via Zoom on such occasions.

- Students can attend class in the Keller Center but would participate via Zoom on such days. Students can also attend remotely from home (or any other location that is devoid of distractions).
- I will be in touch with the TA, HSIT, and ASA to make sure things work smoothly

**Weekly Schedule:**

<b>Date/Readings and Assignments</b>	<b>Lecture Topics</b>
<b>January 3</b>  <u><i>Brealey et al Chapter 1</i></u>	<i>Course Introduction and Corporate Organizations</i>
<b>January 5</b>  <u><i>Brealey et al Chapter 2</i></u>	<i>Present Value Calculation</i>
<b>January 10</b>  <u><i>Brealey et al Chapter 3</i></u>	<i>Bond Valuation</i>
<b>January 12</b>  <u><i>Brealey et al Chapter 4</i></u> <a href="#"><u><i>PG&amp;E Article</i></u></a>  <b>Problem Set 1 Due</b>	<i>Equity Trading and Valuation</i>
<b>January 17</b>	<i>Equity Trading and Valuation (continued)</i>
<b>January 19</b>  <u><i>Brealey et al Chapter 5</i></u>  <b>Problem Set 2 Due</b>	<i>Net Present Value and Other Investment Criteria</i>

Date/Readings and Assignments	Lecture Topics
<p>January 24</p> <p><u><i>Brealey et al Chapter 6</i></u></p>	<p><i>Making Investment Decisions with the NPV Rule</i></p>
<p>January 26</p> <p><u><i>Brealey et al Chapter 7</i></u></p> <p>Problem Set 3 Due</p>	<p><i>Introduction to Risk and Return</i></p>
<p>January 31</p> <p><u><i>Brealey et al Chapter 8</i></u></p> <p><a href="#">Archehos Capital</a></p>	<p><i>Portfolio Theory and Capital Asset Pricing</i></p>
<p>February 2</p>	<p><i>Mid-term Exam in class</i></p>
<p>February 7</p> <p><u><i>Brealey et al Chapter 9</i></u></p>	<p><i>Risk and the Cost of Capital</i></p>
<p>February 9</p> <p><u><i>Brealey et al Chapter 10</i></u></p> <p>Problem Set 4 Due</p>	<p><i>Project Analysis</i></p>

Date/Readings and Assignments	Lecture Topics
February 14  <u>Brealey et al Chapter 11</u>	<i>Ensuring Positive NPV</i>
February 16  <u>Brealey et al Chapter 14</u>  Problem Set 5 Due	<i>An Overview of Corporate Finance</i>
February 21  <u>Brealey et al Chapter 15</u>  <u>FTX Case Study</u>	<i>How Corporations Issue Securities</i>
February 23  <u>Brealey et al Chapter 17</u>	<i>Does Debt Policy Matter?</i>
February 28  <u>Brealey et al Chapter 18</u>  Problem Set 6 Due	<i>How Much Should a Corporation Borrow? Part I</i>
March 2	<i>How Much Should a Corporation Borrow? Part II</i>
March 7 Final Exam	<i>200 PM to 400 PM</i>