

**University of Chicago**  
**Harris School of Public Policy Studies**  
**Corporate Finance Public Policy 34410**  
**Autumn 2024**  
**DRAFT February 10, 2025**

Lecturers: Zack Brown and Dave Schabes

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

Dates: March 24, 2025 – June 1, 2025.

Final Exam: May XX, XXXX AM – XXXX PM. Room XXXX.

Time: T 5:00 PM – 7:50 PM

Location: Keller 1002

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

Office Hours: Dave Schabes T 2:30 – 3:30 PM

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Cell: Dave Schabes 630-738-0034. Zack Brown 262-424-7200.

Teaching Assistants: Teaching: Amir Ali Rajani [amrajani@uchicago.edu](mailto:amrajani@uchicago.edu)

Grading:

Teaching Assistant Sessions:

Teaching Assistant Office Hours:

**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, financial statements, valuation of projects debt and equity, 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.

**Classroom Protocol**

**Students should expect to attend all lectures and several TA sessions over the quarter. Attendance is considered part of the course participation grade. You will be required to enter a code as an assignment during each class to have your attendance recorded.**

**Much of the material required to successfully complete the problem sets and final exam will be presented orally in class. The course will be difficult to complete successfully without the ability to make this commitment. Assigned readings should be completed prior to the lecture. Laptops and tablets are allowed in class for note taking, but out of courtesy to your classmates, should not be used for viewing outside videos and other materials. Phone are to be put away and turned off during class.**

## Course Goals:

The course introduces students to the following topics:

1. The essential tools for business analysis and financing decision-making
2. Determination of the time value of money and the role of interest rates
3. Pricing of various types of debt, including loans and bonds
4. The use of net present value and internal rate of return, among other, financial decision-making tools
5. Forecasting and analyzing a firm's earnings and cash flow and determining how is equity valued by investors
6. The methods by which investors price risk
7. The effect of capital structure on a firm's financing costs and risks
8. The Modigliani Miller propositions and how have they influenced financial decision making
9. The implications of tax policy on financial decisions
10. Why companies fall into financial distress and bankruptcy and how these are resolved
11. Basic understanding of financial statements
12. The role of corporate governance in supporting good financial decision-making

## Academic Integrity:

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/>

## Artificial Intelligence and Large Language Models

The use of any AI or LLM tools in this class is prohibited. Among the key learnings is how to calculate and analyze financial information. Successful understanding of these areas requires completing such work using a financial calculator or Excel and writing observations regarding the numerical analysis yourself.

### Grading:

There will be seven graded problem sets approximately once a week. Problem sets must be completed by each student individually, though you may discuss the problems with your fellow students in the course. **You may not consult online sources of homework answers such as CourseHero, or obtain answers from students who have previously taken the course. Assignments must be submitted on Gradescope.**

The course grade will be based on the following:

1. Final Exam 35%
2. Problem Sets 60%
3. Course Participation 5%

**Problem sets must be submitted by 11:59PM on the date due. Late assignments will be subject to penalties as follows:**

- **One hour late: 5%**
- **One day late 25%**
- **Prior to release of assignment answer sheet (usually three or four days) 50%**
- **There will not be any exceptions made for assignment due dates.**

**The final exam, given finals week, will be comprehensive and have a 2 hour time limit. Only exceptions approved by the Dean of Students will be accepted for not taking the final exam at the scheduled time.**

**Students may take the course Pass/Fail subject to Harris School policy. A cumulative average of 60% is required for a Pass grade.**

### Finance and Policy Certificate:

This course is one of the available electives to fulfil the requirements of the Finance and Policy Certificate.

### Text and Other Readings:

Brealey, Richard A., Stewart C. Myers, and Franklin Allen. 2023. *Principles of Corporate Finance*. Fourteenth edition. New York, NY: McGraw-Hill Education. *connect* online tool will be available but not required. **There are substantial differences between the 14<sup>th</sup> edition and prior editions. I do not recommend using prior editions.**

Periodically assigned readings are available through the links embedded in the weekly schedule. **A financial calculator is required. Phone based calculators may not be used for the final exam.** 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+ or HP 12 C or CP.

Readings listed below should be completed prior to the related lecture topic.

**Weekly Schedule:**

Date/Readings and Assignments	Lecture Topics
<p>March 25</p> <p><u><i>Brealey et al Chapter 1 including Appendix</i></u></p> <p><a href="#"><u><i>Freidman Doctrine</i></u></a></p> <p><u><i>Brealey et al Chapter 2</i></u></p>	<p><i>Course Introduction and Corporate Organizations</i></p> <p><i>Present Value and Future Value Calculations</i></p>
<p>April 1</p> <p><u><i>Brealey et al Chapter 3</i></u></p> <p><u><i>Brealey et al Chapter 29</i></u></p>	<p><i>Bond Valuation and Financial Analysis</i></p>
<p>April 8</p> <p>Problem Set 1 Due</p> <p><u><i>Brealey et al Chapter 4</i></u></p> <p><a href="#"><u><i>PG&amp;E Article</i></u></a></p>	<p><i>Financial Analysis</i></p> <p><i>Equity Trading and Valuation</i></p>
<p>April 15</p> <p><u><i>Brealey et al Chapter 5</i></u></p> <p>Problem Set 2 Due (Financial Analysis)</p>	<p><i>Equity Trading and Valuation (continued)</i></p> <p><i>Net Present Value and Other Investment Criteria</i></p>
<p>April 22</p> <p><u><i>Brealey et al Chapter 6</i></u></p> <p><a href="#"><u><i>PG&amp;E Wildfire Plan in Peril</i></u></a></p> <p><a href="#"><u><i>PG&amp;E KKR Deal Proposal</i></u></a></p> <p><a href="#"><u><i>Regulator Rejection of Deal</i></u></a></p> <p><u><i>Brealey et al Chapter 7</i></u></p> <p>Problem Set 3 Due</p>	<p><i>Making Investment Decisions with the NPV Rule</i></p> <p><i>Introduction to Risk and Return</i></p>

Date/Readings and Assignments	Lecture Topics
<p>April 29</p> <p><b><u>Brealey et al Chapter 8</u></b> <b><u>Archegos Capital</u></b></p> <p><b><u>Brealey et al Chapter 9</u></b> Skip Certainty Equivalents</p> <p>Problem Set 4 Due</p>	<p><i>Portfolio Theory and the Capital Asset Pricing Model</i></p> <p><i>Risk and the Cost of Capital</i></p>
<p>May 6</p> <p><b><u>Brealey et al Chapter 10</u></b></p> <p><b><u>Brealey et al Chapter 11</u></b></p> <p>Problem Set 5 Due</p>	<p><i>Project Analysis</i></p> <p><i>Ensuring Positive NPV</i></p>
<p>May 13</p> <p><b><u>Brealey et al Chapter 14</u></b></p> <p><b><u>Brealey et al Chapter 16</u></b></p> <p>Problem Set 6 Due</p>	<p><i>How Corporations Issue Securities</i></p> <p><i>Does Debt Policy Matter?</i></p>
<p>May 20</p> <p><b><u>Brealey et al Chapter 17</u></b> <b><u>Kroger Albertsons Merger</u></b> <b><u>Consumers</u></b> <b><u>Kroger Albertsons Worker Rights</u></b></p> <p>Problem Set 7 Due</p>	<p><i>How Much Should a Corporation Borrow?</i></p>
<p>Week of May 26</p>	<p><b><i>Final Exam: Room XXXX. XXXX AM – XXX PM</i></b></p>