

## **Professors Matteo Benetton and Eben Lazarus**

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Office Hours (Lazarus, after midterm exam): Tuesday 4.30PM-5.30PM, F686 or Zoom (email if using Zoom; link: [berkeley.zoom.us/my/eben.lazarus](https://berkeley.zoom.us/my/eben.lazarus))

## Class times

**UGBA103-1:** M/W, 9.30AM-11.00AM; Chou Hall N100

**UGBA103-2:** M/W, 11.00AM-12.30PM; Chou Hall N100

Both classes follow Berkeley time.

## Graduate Student Instructors and Readers

### **Graduate Student Instructors:**

Isabella Kouyoumdjian Carvajal, [i.kouyoumdjian@berkeley.edu](mailto:i.kouyoumdjian@berkeley.edu). OH: Tuesday 2PM-3.30PM, room TBA

Serra Pelin, [serra.pelin@berkeley.edu](mailto:serra.pelin@berkeley.edu). OH: TBA

### **UGBA103-1 GSI Sessions:**

101 Friday 8.00AM-9.30AM (Isabella), Chou N170

102 Friday 9.30AM-11.00AM (Isabella), Chou N170

103 Friday 11.00AM-12.30PM (Isabella), Chou N170

### **UGBA103-2 GSI Sessions:**

201 Friday 12.30PM-2.00PM (Serra), Chou N170

202 Friday 2.00PM-3.30PM (Serra), Chou N170

203 Friday 3.30PM-5.00PM (Serra), Chou N170

### **Readers:**

Gene Kang, [gene.kang@berkeley.edu](mailto:gene.kang@berkeley.edu)

Santiago Labarca, [santiago.labarca@berkeley.edu](mailto:santiago.labarca@berkeley.edu)

— Reader office hours available by appointment

## Course Overview

This is an introductory course in finance. Students learn how to value assets given forecasts of future cash flows and to understand concepts of risk and return. The first part of the course focuses on decision rules under certainty. The second part deals with measuring and pricing risk. The third part introduces students to valuation. The final part deals with financing decisions. The course will combine the theoretical underpinnings of finance with real-world applications. By the end of this course, you will have a strong understanding of the way that firms and finance professionals think about optimal decision-making and portfolio choice.

## Course Resources

We will be using bCourses, Pearson's MyLab and Mastering, and StudyNet. The main course site is bCourses, which we will use for posting lecture materials, assignments, and other materials. These materials are intellectual property of the Haas School of Business, so please do not repost. In addition, the textbook has a website, which will be used for the assignments (details below).

## Required Text and Assignment Tool

*Corporate Finance*, by Jonathan Berk and Peter DeMarzo, 6th Edition, plus "MyLab Finance for Berk/DeMarzo: Corporate Finance 6th Edition."

## MyLab Homework

Access to Pearson's MyLab will be available on bCourses via a link labeled "Access Pearson." To help with your review of the lecture materials and exam preparations, we suggest you do a large number of problems. Doing problems has been proven to be the best (only) way to learn finance. Homework assignments will also be posted on MyLab, and they must be completed by the due date. The lowest score on the homework will not enter your homework grade.

**Late homework will not receive credit.** In exceptional circumstances we may drop additional assignments from the final grade, at our discretion or as provided by disability accommodations.

## Cases

The case materials will be available on bCourses via a link to StudyNet. Students are required to complete and hand in 3 cases during the semester. Cases should be solved in groups. A group should consist of 5 students. In exceptional cases, we allow group sizes of 3 to 5 students.

**Late cases will not receive credit.** We will excuse groups from turning in cases only in the event of unexpected circumstances affecting *all* group members.

You may make limited use of AI tools for brainstorming possible approaches to a case and providing assistance on grammar and spelling. You may not use AI to complete the entire case, and any case teams who submit formulaic write-ups may be contacted by the grading team.

If you feel that there was an error in grading your case, you can submit your case to the GSI along with a written explanation of the grading error. The entire case will be regraded. Regrade requests

must be made within five days of the graded case being made available to students. Requests made after this period will be automatically denied. All scores from regraded cases are final.

### **GSI Sessions**

GSI-run sections are provided to help students review the course material on a weekly basis. You need to attend at least 10 out of 12 sessions to get full credit (you get 1 point for each GSI session). This is an excellent time to ask questions outside the classroom.

**We will not give full credit for section attendance to students who miss three or more sections. Please do not email the teaching team with requests to be excused, with the exception of students with a relevant accommodation.**

### **Midterm Exam**

There is one in-class midterm on March 16. All students must take the exam in class at this time. The midterm is worth 30% of the course grade.

If you feel that there was an error made in grading your exam, you can submit your exam to the GSI along with a written explanation of the grading error. In this case, the entire exam will be regraded and therefore your score may go up or down. Regrade requests must be made within five days of the graded exams being made available to students. Regrade requests made after this period will be automatically denied. All scores from regraded exams are final.

### **Final Exam**

There is a final exam, scheduled for (i) May 11, 7PM–10PM, for lecture 1, and (ii) May 12, 7PM-10PM, for lecture 2. All students take the exam in Chou N100 at this time. If you have a disability accommodation, please see the guidelines later in the syllabus.

### **Laptop/Microsoft Excel/Calculator**

You will need a calculator to complete the midterm and final exams. As long as your calculator is capable of the usual functions that appear on any basic scientific or financial calculator (in particular, taking exponents and roots), it will be sufficient for the exam.

Access to a computer with Microsoft Excel (or comparable spreadsheet program) is necessary to complete some homework assignments. Chapters 4 and 5 in the textbook contain an introduction to some of the key financial functions in Excel.

### **Readings**

You are expected to read the textbook chapters noted at the end of the syllabus before each class. The textbook provides more detail than we have time for during lecture, so the readings are a necessary component of course review. After class, reviewing both the textbook and the slides will help solidify the concepts just presented.

## **Attendance**

Attending class and GSI sessions will help you learn the material, aid class discussions, and benefit your fellow students. Please attend all classes, and be in your seats, ready to work at the beginning of class. Of course, a few students might miss class on rare occasions due to illness or family emergencies. This is to be expected. Attendance of the GSI sessions is mandatory. UGBA 103-1 students should do their best to attend sessions 101, 102, or 103; UGBA 103-2 students should attend sessions 201, 202, or 203. Please contact us if you need to discuss alternate arrangements.

## **Workload**

The median student will spend about 10 hours per week (2 hours per day) studying finance outside of class. Time should be spent doing problem sets, practice problems, preparing case studies, reading the textbook, and reviewing class notes.

## **Email Policy**

The professors and GSIs will try to respond to emails within two working days. We cannot guarantee a timely response to students who email us less than two working days before a deadline. Please include the following “[UGBA103]” in the subject line. You should also feel free to use the Discussions feature on bCourses to discuss the course with each other or with us.

## **Grades**

Your overall course grade will be based on:

<b><u>Component</u></b>	<b><u>Percent of Grade</u></b>
Homework	10%
Cases	10%
GSI Session Attendance	10%
Midterm Exam	30%
Final Exam	40%

Grades for all assignments and exams are pooled across both lectures and all sections.

## **Grade Policy**

Students have two (mutually exclusive) options, in addition to the grade formula above:

1. Drop the midterm score, and have the final count for 70% of the course grade. However, this option is available only if the midterm has been taken.
2. Drop Case+Homework+Attendance and have the final count for 70% of the course grade.

The most beneficial option is automatically invoked at the end of the course.

NOTE: Exams are mandatory. Missing an exam will make you ineligible for an incomplete grade. Cheating on an exam (midterm or final) will result in failing the class. No excuses!

## **Academic Accommodations and Conflicts**

If you have a disability, or think you may have one, you should work with the Disabled Students' Program (DSP) to determine any accommodations you may need to have equal access in this course. Please submit your DSP letters of accommodation as soon as possible, as accommodations are not retroactive. You must submit no later than 15 days prior to the exam (midterm or final). The same policy applies for students with athletic travel.

**Students with accommodations will have their exams proctored by the DSP office. Submit your exam proctoring requests on the DSP website as soon as possible, ideally at the start of the term. Students with athletic travel must have their exams proctored by an academic advisor.**

If you have a documented excusable conflict with the midterm, we may, in exceptional circumstances, be able to offer the clobber policy 1. under the grade policy above.

If you anticipate or experience any barriers to learning in this course, please feel welcome to discuss your concerns with any member of the teaching team.

## **Ethics and Course Rules**

Students who take this class are bound by the Berkeley Honor Code and the Berkeley Haas Code of Conduct. For reference, please see <https://teaching.berkeley.edu/berkeley-honor-code> and <https://haas.berkeley.edu/undergrad/academics/curriculum/academic-policies/>. Nothing less than strict adherence will be accepted. For the case assignments, students may work together in small groups of no more than five. For homework assignments, each student is responsible for submitting, understanding, and being able to complete the assignment on his or her own.

**AI policy:** Students are permitted to use generative AI tools for **limited purposes** in this course, provided they disclose their use explicitly; however, broad use that would be considered plagiaristic is prohibited. The key principle is that students remain responsible for the integrity and originality of their work. If unauthorized AI use is suspected, an examination of the work may be required. Permitted uses include brainstorming strategies for solving a case or assignment; grammar and spelling assistance; and summarizing course information (you must verify information yourself). Prohibited uses include using AI tools to directly summarize, generate, or interpret thoughts or arguments that are meant to be original to your work; directly conduct numerical analysis for the case studies; and having AI write any substantive portion of an assignment for you; all such uses are violations of academic integrity. AI is strictly prohibited on exams, and we reserve the right to specify assignments where AI use is strictly prohibited.

We ask students to refrain from behavior that might interfere with a positive classroom experience. This especially includes holding any type of side conversation (voice, electronic, telepathy, etc.).

**The use of laptops, smartphones, etc., during class is strongly discouraged, with the exception of students with accommodation-related needs. If you use a tablet (or similar) for notetaking, please do not use it for any other purpose; the GSIs will ask you to stop using your device whenever they notice anyone accessing non-course-related material.**

## **Course Schedule**

Below is an outline of the course schedule. All chapters refer to the Berk & DeMarzo textbook. Some topics may run over to the next lecture, and we may update the schedule as a result.

## Course outline

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<b>Class 1 (1/21)</b> Benetton and Lazarus	topic reading	<b>Course introduction</b> <i>Chapter 1</i>
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		No GSI session in week one (1/23)
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<b>Class 2 (1/26, Benetton)</b>	topic reading practice problem	<b>Time value of money</b> <i>Chapter 4</i> <i>Chapter 4: 5,6,7,8,13,16,17,21,26,34</i>
<b>Class 3 (1/28, Benetton)</b>	topic	<b>Time value of money</b>
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<b>Class 4 (2/2, Benetton)</b>	topic	<b>Time value of money</b>
<b>Class 5 (2/4, Benetton)</b>	topic reading	<b>Interest Rates</b> <i>Chapter 5</i>
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<b>Class 6 (2/9, Benetton)</b>	topic	<b>Interest Rates</b>
<b>Class 7 (2/11, Benetton)</b>	topic reading practice problem	<b>Valuing Bonds</b> <i>Chapter 6</i> <i>Chapter 6: 2,6,10,17,20</i>
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		GSI Session 3 (2/13)
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<b>Class 8 (2/18, Lazarus)</b> (filling in for Benetton)	topic <a href="#">Case 1</a>	<b>Valuing Bonds</b> HBS Case 9-298-080: Fixed income valuation, questions 1, 2 and 3 (due: by end of day Friday, 2/27)
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		GSI Session 4 (2/20)
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<hr/> <a href="#">Homework #1 in MyLab (due: by end of day Sunday, 2/22!)</a> <hr/>		
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<b>Class 9 (2/23, Benetton)</b>	topic reading reading reading practice problem practice problem	<b>Capital Budgeting</b> <i>Chapter 3: Section 3.3 - The NPV Rule</i> <i>Chapter 7: Investment Decision Rules</i> <i>Chapter 8: Capital Budgeting</i> <i>Chapter 7: 2,3,4,7,8,9,10,19,31</i> <i>Chapter 8: 2,4,6,8,10,12,13,17</i>

<b>Class 10 (2/25, Benetton)</b>	topic	<b>Capital Budgeting</b>
GSI Session 5 (2/27)		
<b>Class 11 (3/2, Benetton)</b>	topic	<b>Capital Budgeting</b>
<b>Class 12 (3/4, Benetton)</b>	topic <a href="#">Case 2</a>	<b>Capital Budgeting</b> <a href="#">HBS case 9-298-092: Valuing capital investment projects</a> (due: by end of day Friday, 3/13)
GSI Session 6 (3/6)		
<a href="#">Homework #2 in MyLab (due: by end of day Sunday, 3/8!)</a>		
<b>Class 13 (3/9, Benetton)</b>	topic reading practice problem	<b>Valuing Stocks</b> <i>Chapter 9: Valuing Stocks (except Section 5)</i> <i>Chapter 9: 1-15,17</i>
<b>Class 14 (3/11, Benetton)</b>	topic	<b>Valuing Stocks</b>
GSI Session 7 (3/13)		
<b>Class 15 (3/16)</b>	<b>!!! Midterm Exam !!!</b>	
<b>Class 16 (3/18, Benetton)</b>	topic reading practice problem	<b>Statistics Review and Optimal Portfolio Choice</b> <i>Chapter 11: Optimal Portfolio Choice (Section 1-4)</i> <i>Chapter 11: 1,2,9,10,21,22,23,24,25,31,34,35</i>
No GSI session this week (3/20)		
<b>Spring Break</b>		
<b>Class 17 (3/30, Lazarus)</b>	topic reading reading practice problem practice problem	<b>Optimal Portfolio Choice &amp; CAPM Intro</b> <i>Chapter 11: Optimal Portfolio Choice (Section 5-8)</i> <i>Chapter 12: Estimating the Cost of Capital (Section 1-3)</i> <i>Chapter 11: 38,45,46,47,48,50</i> <i>Chapter 12: 1,2,3,6</i>
<b>Class 18 (4/1, Lazarus)</b>	topic	<b>The CAPM</b>
GSI Session 8 (4/3)		

<b>Class 19 (4/6, Lazarus)</b>	topic	<b>The CAPM</b>
<b>Class 20 (4/8, Lazarus)</b>	topic possible guests	<b>Portfolio Choice &amp; CAPM Wrap</b> <b>UC Investments portfolio managers</b>
GSI Session 9 (4/10)		

————— Homework #3 in MyLab (due: by end of day Sunday, 4/12!) ————

<b>Class 21 (4/13, Lazarus)</b>	topic reading practice problem	<b>M&amp;M and Market Efficiency</b> <i>Chapter 14: Capital Structure in a Perfect Market</i> <i>Chapter 14: 1,2,3,4,6,8,13,15,16,17</i>
<b>Class 22 (4/15, Lazarus)</b>	topic reading practice problem	<b>M&amp;M Part II; Valuing a Firm With and Without Taxes</b> <i>Chapter 15: Debt and Taxes</i> <i>Chapter 15: 1,3,6,8,14,18,19</i>
GSI Session 10 (4/17)		

<b>Class 23 (4/20, Lazarus)</b>	topic <i>Case 3</i>	<b>Valuing a Firm With and Without Taxes</b> <i>HBS case 9-218-095: Valuing Snap After the IPO</i> <i>Quiet Period (A)</i> (due: by end of day Friday, 5/1)
<b>Class 24 (4/22, Lazarus)</b>	topic reading practice problem	<b>Interaction of Investment and Financing Decisions</b> <i>Chapter 18: Capital Budgeting and Valuation with Leverage</i> <i>Chapter 18: 7,8,9</i>
GSI Session 11 (4/24)		

————— Homework #4 in MyLab (due: by end of day Sunday, 4/26!) ————

<b>Class 25 (4/27, Lazarus)</b>	topic	<b>Interaction of Investment and Financing Decisions</b>
<b>Class 26 (4/29, Lazarus)</b>	topic	<b>Final Material and Review</b>
GSI Session 12 (5/1)		

————— Good luck! ————

<b>Final exam (5/11)</b>	7PM-10PM	<b>Final exam for UGBA103-1</b>
<b>Final exam (5/12)</b>	7PM-10PM	<b>Final exam for UGBA103-2</b>