

ARE 171: Principles of Finance

University of California, Davis

Summer Session I 2019

Instructor:	Marina Lovchikova	TA:	Zheng Fu
Email:	mlovchikova@ucdavis.edu		
Office:	SSH2132		TBA
Office hours:	MT 1:00-2:00 pm		TBA

Course meeting time MTWR, 10:00 AM - 11:40 AM, HOAGLAND HALL 168

Course Description. Principles of corporate financial management. Time value of money, interest rates, principles of valuation, present value, risk and return, and cost of capital.

Course Prerequisites. ARE 106 and Management 11A-11B. The course may not be taken for credit by students who have previously taken Economics 134.

Course Requirements and Grading

The activities in this course include:

Homework Assignments (x5) 15%, due on Fridays, 11:59pm

Quizzes(x5) 10%, due on Wednesdays, 11:59pm (online)

Class Participation 5%

Midterm Exam 35% July, 15, Monday

Final Exam 35% July, 31, Wednesday

There will be up to five **Homework Assignments** throughout the quarter and these will collectively be worth 15% of the course grade. The goal of the assignments is to help you prepare for the exams and keep track of the material. **These assignments should be typed and submitted online**

through the Canvas.

In addition, there will be **five multiple choice quizzes**, which are worth 10% of the course grade. The quizzes will be posted on Canvas and will be graded automatically. Generally, a quiz will contain 5-10 multiple choice questions based on lecture material from the current week. There will be a deadline after which you won't be able to submit, no late submission or re-submissions are accepted. Please plan your time accordingly.

Two Exams, one midterm and one final exam, are worth 35% of the course grade each, **Final Exam** is a cumulative exam. If you think you may have to miss either of the exams, you need to contact me before the exam and have a very good reason. There will be no make-up exams. If you miss either of the exams, more weight will be put on the other exam if notification is properly made. Failure to notify me will result in zero grade for the exam.

In the beginning of each lecture, we will devote 10 minutes to discuss current economic and financial events and their effect of company financials. To stimulate class participation (5% of your grade), I will assign a company for each of you to follow and report on its news or possible impact of economic events on company financial health, strategy and future profits. I will ask you to follow this company on Twitter and/or create a Google alert. Questions on your company might appear in homework assignments.

I fully expect all of us to come to class prepared, ready to participate. This includes having read any required readings for the day, coming to class on time, engaging myself and each other in a respectful manner, and being sure to have phones and tablets stored away and off (or silent, but not vibrate, which is still disruptive to all).

The grade distribution for the class will be close to:

A	25%-30%
B	30%-40%
C	25%-35%
D and below	0%-5%

Required Text Berk and DeMarzo (BD) "Corporate Finance: The Core" 4th edition; ISBN 9780134202648 / ISBN 9780134202853

Topics covered:

Introduction (2 lectures)

Time value of money, interest rates (4 lectures)

Valuation and NPV (3 lectures)

Risk and return, portfolios (4 lectures)

CAPM, cost of capital (3 lectures)

The following detailed schedule is subject to change, as needed. Any changes will be announced both in class and through Canvas:

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
June 24th 1 §1,2.1-2.3,2.6 Intro	25th 2 §3 Intro: LOOP	26th 3 §4.1-4.4 Time value of money: PV, FV, NPV	27th Section 1	28th Homework 1
July 1st 4 §4.5-4.9 Perpetuities and annuities	2nd 5 §5.1-5.3 Interest rates	3rd 6 §5.4-5.5 Interest rates	4th No Section Independence day	5th Homework 2
8th 7 §6.1,6.2,6.4 Bonds	9th 8 §7.1-7.3, 8.1 Decision rules	10th 9 §9.1, 9.2,9.4 Valuing stocks	11th Section 2	12th Homework 3
15th 10 Midterm Exam	16th 11 §10.1-10.5 Risk and return	17th 12 §10.6-10.8 Risk and return	18th Section 3	19th Homework 4
22nd 13 §11.1-11.5 Portfolio risk and return	23rd 14 §11.6-11.8 CAPM	24th 15 §12.1-12.7 Cost of capital	25th Section 4	26th Homework 5
29th 16 §13.1-13.6 Market efficiency	30th 17 Review	31st 18 Final Exam	Aug 1st	2nd

Other Policies

University Policies Regarding Cheating and Academic Dishonesty

You are expected to be honest in all of your academic work. Please consult the UC Davis Code of Academic Conduct (<http://sja.ucdavis.edu/files/cac.pdf>) for policies and procedures related to academic conduct. Allegations of academic dishonesty will be forwarded to the Office of Student Judicial Affairs. Sanctions for academic dishonesty can include failing grades and/or suspension.

Student Resources Here is a link to student resources that you may find useful provided by the Associate Dean, Undergraduate Academic Programs: <https://ebeler.faculty.ucdavis.edu/resources/faq-student-resources/>

Class rules

- Cell phones: You are never allowed to use your cell phone during class (or during an exam). Cell phones must remain shut off (or on silent mode and stored away) at all times.
- Smart watches: During exams (quizzes, midterms, final exam) you are not allowed to wear or use your smartwatch. At other times you are only allowed to use the watch to tell time.
- Tablets and laptops: You may use these during class time but only to follow along the lecture slides (posted on canvas). You may not check the news, your e-mail, surf the internet, or be on facebook etc.
- Calculators: You are required to bring a calculator to every class so that you can follow along in-class calculations or to solve questions on the review problems. You may not use your cell phone, tablet, laptop, or phone to make any calculations while working on a review problem. If you consider to sit CFA exams in near future, please check CFA policy on calculators: <https://www.cfainstitute.org/en/about/governance/policies/cfa-calculator-policy>
- No food: Do not consume any food during class. Exceptions: coffee, tea, water.
- Laptop-Free Zone: To enable students to opt into a laptop-free learning environment, we will enforce a "laptop-free zone": The entire front half of the room (when facing the board) will be reserved for non-laptop users.