

**University of Virginia**

**Department of Economics**

ECON 4350  
Corporate Finance  
Spring 2022  
T Th 3:30 – 4:45

Instructor: C. Dylan McGee  
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Office Hours in Monroe 219- M W 10 – 12 and T Th 5:00 – 5:30  
Office Hours by Zoom- Friday 10 – 12 (by request)

**Text:** Brealey, Richard A., Stewart C. Myers and Alan J. Marcus. 2020. *Fundamentals of Corporate Finance*, 10<sup>th</sup> Edition. New York: McGraw-Hill.

**Course Description:** Introduction to principles and techniques utilized in the financial management of business. Topics to be covered include: interpretation of financial statements, ratio analysis, present value, bond valuation and interest rates, stock valuation, net present value analysis, risk and return, cost of capital, and capital structure. Most class time will be spent on lecture and practice problems.

**Course Objective:** To gain an understanding of the basic ideas and terminologies that are essential for literacy in business finance.

**Evaluation:**

**7% for Participation/Effort:** show up for at least 7 discussions and participate by working on practice problems and questions. Given that 3 of the discussions will be great chances for review right before each test—see dates below—this should be easy, and it gives you a bit of a nudge to attend discussions whenever you feel it would be most helpful (without requiring it every week). Going every week will obviously be beneficial since I will identify practice material on a weekly basis that is highly relevant for tests.

**45% on Three Tests (15% each on Feb 10<sup>th</sup> March 17<sup>th</sup> and April 14<sup>th</sup>):** these are all on Thursdays and they will correspond (roughly) to the first three headings in the course outline below. There will be designated practice problems and questions (from the text and my handouts) to help you know what to expect on tests. Your lowest test can be replaced by the final exam score if that helps your course grade. I will do that (after the final exam) for all students who have a final above the lowest test. I prefer to use that substitution instead of a make-up test (i.e. final replaces the zero since that will be the lowest of your three tests) but I am open to considering make up tests if someone has a legitimate reason for missing one and prefers a retake to having the final substitute for the zero.

**8% on Group Special Topic Presentation** (videos uploaded to the media gallery **by May 1st**)

**40% on a Comprehensive Final Exam on Thursday May 5<sup>th</sup> 9am - Noon**

## **Course Outline:**

### **Introduction**

Chapter 1 Goals and Governance  
Chapter 2 The Financial System  
Chapter 3 Accounting and Finance  
Chapter 4 Measuring Corporate Performance

### **Value**

Chapter 5 The Time Value of Money  
Chapter 6 Valuing Bonds  
Chapter 7 Valuing Stocks  
Chapters 8, 9 and 10 Net Present Value and other Criteria for Project Analysis

### **Risk and the Cost of Capital**

Chapter 11 Risk, Return, and the Opportunity Cost of Capital  
Chapter 12 Beta and CAPM  
Chapter 13 The Weighted Average Cost of Capital

### **Debt and Capital Structure**

Chapter 16 Debt Policy

## **Additional Information:**

I will use Power Point presentations that will be made available thru Collab, but I will also use the board frequently and give you some problems to practice (usually toward the end of lecture). On one or two occasions, I might have you do some work in Excel during lecture (on your laptop or partnering with a neighbor).

As stated above, I will provide suggested practice material on a weekly basis (from the text and in handouts that I will also share in Collab). Before each test I will indicate which material is relevant for the test. The exact chapter break-down will depend on the pace of progress, but Test 1 will be on the Introduction section of the outline, Test 2 will be on the Value section, and Test 3 will likely include the last bits of the Value section together with the Risk and Cost of Capital section.

## **Group Presentation Assignment on Special Topics (Due by Sunday May 1<sup>st</sup>)**

You will make a video in groups of 2 – 4 students on a special topic. The intention here is for roughly 5 or 6 minutes per student, and you can define the scope of the presentation based on the size of your group. A 6-8 minute solo video is possible if you prefer working alone, but I encourage you to work with a group and aim for 5 minutes per presenter. Zoom recordings with PPT is the

standard approach, but other videos can be loaded into the Media Gallery as well (in Collab). You will submit the video and I will activate it so it's available to the class.

Here is a list of potential topics (note that the text has helpful chapters on many of the topics)

- 1) IPOs (this might encompass SPACs and/or Direct Listings if you like)
- 2) Mergers and Acquisitions
- 3) Private Equity and Leveraged Buyouts
- 4) Bankruptcy
- 5) Venture Capital
- 6) Currency Risk Management
- 7) Meme Stocks, Payment for Order Flow, and the Robinhood IPO
- 8) ESG investing (this might include the Exxon proxy contest)

I am open to other topics based on current events and recent trends. For example: issues related to Chinese companies listed on U.S. exchanges and speculation about Chinese policy, or the Evergrande default, or the current push for a global minimum corporate tax, or other issues involving the complexity of multi-national taxation, or the older question of whether Sarbanes Oxley caused a move toward private rather than public status, or cryptocurrency and blockchain, or crowdfunding, or fintech. Many potential topics overlap with others, so you can use your discretion. Foreign students may have greater knowledge of international corporate finance issues that would be interesting to me and your fellow students. Many of you may have specific knowledge based on internships or other work experience that your classmates would like to hear about (for example, I have had students who worked on leveraged loans). I am not looking for original research so much as a good explanation of historical episodes and ongoing trends, so sources based on financial journalism can be a good starting point.

