Welcome to Finance 221

Corporate Finance

The First Day Agenda

- Course Administrative Overview
- Top 10 List
- What is finance and corporate finance.
- The goal of the firm
  - Agency Problems with achieving this goal
- Careers in Finance
- Calendar of Exam and Homework Assignment Due Dates
- Different forms of Business Organizations. (Discussion section this week.)

Important Internet Addresses

- Course Website: http://www.business.uiuc.edu/~mdyer/fin221.htm
- Syllabus, Notes, Assignments and Announcements
  - Powerpoint Lecture Note files on Announcements and Lecture Notes Page
  - Class Assignments will be posted on the Assignments Page.
- Textbook Website: http://www.mhhe.com/bmm4e
  - Select Student Edition from Online Learning Center box.
Required Class Materials

- Textbook: Custom book with selected chapters from Fundamentals of Corporate Finance, 4th Edition by Brealey, Myers & Marcus and a chapter from Ross, Westerfield, & Jordan (RWJ)
- Finance 221 Syllabus Book
- Texas Instruments BAII Plus financial calculator

Contacting Prof. Dyer

- Office: 328J DKH
- Telephone: 244-7807
- Office Hours:
  - 2:30-4 Monday & Wednesday
  - 1-3 Thursday
  - e-mail: dyer1@uiuc.edu

The Nitty Gritty

- Grade Breakdown (520 total points)
  - 396 points from three 120-minute exams: 132 points each (with optional final to replace your worst score or make up a missed exam)
  - 33 multiple choice questions worth 4 points each roughly half conceptual questions (no calculations) and half problems.
- 60 points from 4 assignments.
- 30 points from Capital Budgeting Project
- 34 points from Discussion Section Assessment: pop quizzes, attendance & participation
Miscellaneous Items

- Textbook problems assigned in syllabus will not be graded, but you are responsible for knowing how to do them.
- Solutions to all assigned textbook problems are in the back of syllabus.
- Helpful textbook items: online chapter objectives and questions at textbook website.

What is Finance?

- Finance is primarily about making investment decisions.
- To make these decisions, one must determine value.
- What is the value of a stock, a bond, a company, or a real asset?

What is Corporate Finance
What determines Value?

- Expected future cash flows, and
- The perceived risk of these expected cash flows which determines an investor's interest rate or required rate of return.
- Value equals the present (today’s) value of these cash flows discounted at the required return.
- A good investment is one whose value exceeds its market price.

Goal of the Firm

- To maximize owner’s wealth.
- The common stockholders are the owners of a corporation.
- This means maximizing value of the firm’s stock.

Agency Problems

- A company’s management is an agent acting in the stockholders (owners) behalf.
- Potential managerial conflicts in maximizing firm value are agency problems.
- Solutions:
  - Monitoring by Board of Directors, auditors and financial analysts.
  - Well-designed compensation plans.
  - Threat of takeover.
Different Finance Career Opportunities

- Corporate Finance
- Investments
- Banking and Financial Services
- Insurance and Risk Management
- Real Estate

Check out website www.careers-in-finance.com

Exam Dates

- Exam 1: Wednesday, Sept. 22 (Chapters 1-4)
  - 6:30-8:30 pm, Conflict 3-5 pm
- Exam 2: Monday, Oct. 25 (Chapters 5, 6, 10, 11, & RWJ 3)
  - 6:30-8:30 pm, Conflict 3-5 pm
- Exam 3: Monday, Dec. 6 (Chapters 7, 8, 12, 15, & 23)
  - 6:30-8:30 pm, Conflict 3-5 pm
- Optional final exam dates: (The optional final is comprehensive and can be used to replace an exam that you missed or we count your best 3 exam scores if you take all 4 exams.)
  - Tuesday, Dec. 14: 1:30-3:30 pm
  - Saturday, Dec. 18: 9-11 am

Assignment and Project Due Dates

- All assignments are due by 4 PM in your TA's mailslot in 340 Wohlers Hall on the following dates.
  - Assignment #1  Monday, Sept. 13
  - Assignment #2  Friday, Oct. 8
  - Assignment #3  Friday, Oct. 15
  - Assignment #4  Friday, Nov. 12
  - Capital Budgeting Project  Friday, Nov. 19
Assignments and Project Policies

- All assignment work must be typed.
- Can be done in groups of four if all group members have the same TA.
- Late assignments are accepted with 50% penalty until the end of the day prior (usually the Wednesday after the assignment is due) to the first day the assignment is returned.