

# Syllabus

## MBA Finance Summer Workshop

8, 11, 12 August 2008

**Instructor:** Thomas Gilbert

**Website:** <http://faculty.haas.berkeley.edu/tgilbert/>  
Contact information and course materials are on the above website

**Class time:** Friday 8 August 2008, 9.30am – 12.30pm, Andersen Auditorium  
Monday 11 August 2008, 9.30am – 12.30pm, Andersen Auditorium  
Tuesday 12 August 2008, 9.30am – 12.30pm, Andersen Auditorium

**Overview:** This is a preparatory course in finance for incoming 1<sup>st</sup> year MBA students. Students learn how to value assets given forecasts of future cash flows. The summer workshop focuses on the time value of money and bond pricing. Students also learn to use a financial calculator and build simple Excel models to value a firm. We expect that summer workshop students **do not** have a background in finance. However, the material covered in this workshop **will be assumed known** at the start of MBA 203.

**Textbook:** Principles of Corporate Finance, 8<sup>th</sup> edition, by Brealey, Myers, and Allen  
Published by McGraw-Hill/Irwin, 2006  
Chapters 2.1, 3, and 4.1 to 4.3  
WE HAVE COPIED THE RELEVANT CHAPTERS FOR YOU.  
EVERYTHING YOU NEED IS AVAILABLE IN THE SUMMER  
WORKSHOP READER.

**Readings:** You are expected to do the assigned readings before each class. Reading ahead is valuable as it will aid your understanding of material presented in class. Re-reading after class is encouraged as it will help solidify the concepts just presented.

**Exercises:** There are 5 practice quizzes in this reader and textbook exercises have been chosen for you in the detailed syllabus on the next page. It is important that you solve as many problems as possible in order to make sure that you understand the concepts and know how to apply them. Answers will be given in class.

**Calculator:** A financial calculator is required. Bring it to class everyday. We recommend either the HP-12C (standard or platinum) or the TI-BA2+. Other financial or scientific calculators, such as the HP-17BII, are fine too (make sure it has an IRR function).

**Excel:** Access to a computer with Microsoft Excel (or comparable spreadsheet program) is required. We will solve some homework assignments using Excel, and we will also learn to build a simple valuation models.

**For fun:** For students who like “serious” bedtime reading

- A Random Walk Down Wall Street, by Burton Malkiel  
A Princeton economist discusses finance theory as it applies to different parts of Wall Street.
- Irrational Exuberance, by Robert Shiller  
A Yale economist discusses market bubbles.
- Capital Ideas: The Improbable Origins of Modern Wall Street, by Peter Bernstein  
A discussion of the merging of finance academic research and Wall Street
- Against The Gods: The Remarkable Story of Risk, by Peter Bernstein  
History of our understanding of risk and probability as it relates to financial markets

For students who like “fun” bedtime reading

- Liar’s Poker: Rising Through the Wreckage on Wall Street, by Michael Lewis  
First-hand account of bond trading on Wall Street
- When Genius Failed: The Rise and Fall of Long-Term Capital Management, by Roger Lowenstein  
The rise and fall of a hedge fund that nearly toppled global financial markets
- Barbarian’s at the Gate: The Fall of RJR Nabisco, by Bryan Burrough  
The story of the hostile acquisition of RJR Nabisco by KKR

For students who, like me, prefer watching movies

- Wall Street  
The classic tale of fear and greed on Wall Street
- Barbarian’s at the Gate  
The fictionalized story of the RJR Nabisco acquisition

## **Topics and Assignments:**

All chapters refer to Brealey, Myers, and Allen. Readings are expected to be done before class. Problems should be done after class. Answers will be provided at the end of the workshop.

### Friday 8 August 2008 (Day 1)

- |           |   |
|-----------|---|
| Topics:   | Time value of money<br>Present value, future value, and net present value<br>Perpetuities and annuities |
| Readings: | Chapter 2, section 2.1<br>Chapter 3, sections 3.1 and 3.2   |
| Problems: | Chapter 3, quizzes 3, 4, 5, 6, 7, and 8<br>Chapter 3, practice questions 3, 4, 8, 9, and 16             |

### Monday 11 August 2008 (Day 2)

- |           |  |
|-----------|--|
| Topics:   | Bonds<br>EAR versus APR<br>Mortgages                                       |
| Readings: | Chapter 3, section 3.3<br>Chapter 4, section 4.1                           |
| Problems: | Chapter 3, quiz 13<br>Chapter 3, practice questions 12, 13, 17, 19, and 22 |

### Tuesday 12 August 2008 (Day 3)

- |           |  |
|-----------|--|
| Topics:   | Expected values and stock valuation<br>Mini-valuation cases in Excel |
| Readings: | Chapter 4, sections 4.2 and 4.3                                      |
| Problems: | Re-do all the above problems   |