NORTHWESTERN UNIVERSITY
Kellogg School of Management

FINC 430 (Finance 1) – Downtown Chicago

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PRELIMINARY Course Syllabus – Fall 2018

Course description
Finance 1 covers managers’ and investors’ most fundamental finance decision: how to value a project or an asset. Managers must determine the value of building a factory, entering a new market, or purchasing an entire firm when deciding in which projects to invest. Similarly, individuals must assess the value of financial securities to decide how to invest their wealth. Finance 1 teaches methods for valuing projects or assets. These valuation tools lay the foundation for all work in capital markets and corporate finance.

Prerequisites
The prerequisites for this course are knowledge of probability and statistics through linear regression and accounting. These requirements may be satisfied with:

- Sufficient previous or concurrent DECS course work in statistics and econometrics
  - By the sixth week in the term, it is important that you know how to run a regression, preferably in Excel. One of the cases we will study requires you to run regressions and you may be expected to run a regression on your final exam.
- Either (i) prior or concurrent registration in Accounting 430 or (ii) sufficient previous course work in basic financial accounting.

Course readings
   *This book is required.* See textbook acquisition instructions posted on the Canvas website for details on how to acquire access to MyFinanceLab and a loose-leaf version of the text at significantly reduced prices.

2. Lecture slides, cases, and readings as assigned. Lecture slides and readings will be posted on the course website. Cases will be distributed via the Study.Net link on Canvas.
Grading
Your grade in the course will be based on the maximum of the following:

- 18% six individual quizzes, 20% five group case studies, 17% midterm, 30% final, 5% class participation, 10% peer review.
- 18% six individual quizzes, 20% five group case studies, 0% midterm, 47% final, 5% class participation, 10% peer review.

As indicated above, there are six components to your course grade.

1. **Individual quizzes**: There are six quizzes to be completed individually. These are also in the form of an online Canvas quiz, which must be completed on Canvas on or before 11:59 PM on the day they are due. When you submit your quiz answers, Canvas will immediately tell you if your answers are correct. You may also take the quizzes as many times as you like. If you take the quiz multiple times, your highest score submitted before the due date/time will count towards your course grade. Solutions to the quizzes will be posted to the website.

2. **Group Case Studies**: There are five graded case studies. For these case studies, students are allowed to work in a study group of no more than five people. One student in each study group must email me with the names of the students in your group by the end of the second week of class. Discussions of the cases will take place during class, but no “solutions” will be provided. For each case, one member of each group must upload files to Canvas before 1 PM on the day they are due.

3. **Midterm Exam**: There will be an in-class midterm. The midterm is open book and open note. You will need your laptop to complete the midterm, but laptop use is restricted to accessing the course webpage, course files you have saved to your computer, or to conduct calculations in Excel. Completing the midterm exam is optional, and as a result, there will be no rescheduling of the midterm exam.

4. **Final Exam**: There will be a mandatory, remotely administered, timed final exam during the week following the last class. All students are expected to complete their exam over this time frame. The final exam is cumulative. The final is open book and open note. You will need your laptop to complete the final, but laptop use is restricted to accessing the course webpage, course files you have saved to your computer, or to conduct calculations in Excel.

5. **Peer review**: All students must complete a peer review by the specified date, where you will be asked to evaluate the contribution made by each of your group members with respect to the completion of the case studies. Students that do not complete the peer review on time will receive no credit for the peer review component of their own grade.

6. **Participation**: All students must complete a participation self-assessment by the specified date, where you will be asked to evaluate your class participation according to the guidelines listed below. Students that do not complete the participation self-assessment on time will receive no credit for the class participation component of their own grade. This assessment is only part of the input of the participation grade. I have very specific expectations regarding class participation, and I evaluate such participation formally according to the following guidelines. To qualify for a participation grade other than “C”, you must satisfy or exceed **ALL** of the listed characteristics for the given grade. To facilitate my evaluation of your participation, I will be using a seating chart based on where you sit at the start of class 2.
<table>
<thead>
<tr>
<th>Participation Grade</th>
<th>Characteristics</th>
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<tbody>
<tr>
<td>A</td>
<td>Never absent or arriving late. Regularly volunteered comments or asked questions that <em>other students found valuable.</em> In response to being called upon, always demonstrated preparedness. Always used name-card.</td>
</tr>
<tr>
<td>A-</td>
<td>Missing from or arriving late to no more than 1 lecture. When missing a class or arriving late, you always notified me in advance. Regularly volunteered comments or asked questions that <em>other students found valuable.</em> In response to being called upon, always demonstrated preparedness. Always used name-card.</td>
</tr>
<tr>
<td>B+</td>
<td>Missing from or arriving late to no more than 1 lecture. When missing a class or arriving late, you always notified me in advance. Often volunteered comments or asked questions that <em>other students found valuable.</em> In response to being called upon, generally demonstrated preparedness. Always used name-card.</td>
</tr>
<tr>
<td>B</td>
<td>Missing from or arriving late to no more than 1 lecture. When missing a class or arriving late, you failed to notify me in advance. Occasionally volunteered comments or asked questions that <em>other students found valuable.</em> In response to being called upon, generally demonstrated preparedness.</td>
</tr>
<tr>
<td>B-</td>
<td>Missing from or arriving late to no more than 1 lecture. When missing a class or arriving late, you failed to notify me in advance. Infrequently volunteered comments or asked questions that <em>other students found valuable.</em> In response to being called upon, sometimes demonstrated lack of preparedness.</td>
</tr>
<tr>
<td>C</td>
<td>Missing from or arriving late to 2 or more lectures. Never volunteered comments or asked questions that other students found valuable. In response to being called upon, demonstrated lack of preparedness.</td>
</tr>
<tr>
<td>F</td>
<td>Missing from or arriving late to 2 or more lectures. Never volunteered comments or asked questions that other students found valuable. In response to being called upon, demonstrated lack of preparedness. Occasionally disruptive to the learning environment of others.</td>
</tr>
</tbody>
</table>

**Attendance**

To automate the attendance component of course participation, each student must download the Arkaive app to an electronic device that they will have with them in class. The app looks like this:

![Arkaive App](image_url)

After downloading the app, you must register for the class by entering Enrollment Code B3CW. You will need to electronically “check-in” for class from 10 minutes before the class to 5 minutes into the class. To prevent yourself from forgetting to check-in each class, I strongly recommend that you set your notification preferences to alert you when the check-in period has begun.

Note that only *part* of your participation grade is attendance.
Calculation of final course grade
I will calculate a separate score for each student in each of the six categories. These six scores will be weighted according to the weights shown above. The top 40% of students will receive an “A”, the next 50% will receive a “B”, and the bottom 10% will receive a “C” or lower. The finance department requires this grade distribution across all beginning finance classes.

Additional rules regarding assignment submissions
- Late submissions will receive no credit. Deadlines for this class are non-negotiable. If you have a question about a deadline, you should resolve your question sufficiently prior to the deadline so that you can complete the assignment by the due date.
- All students within a study group will receive identical scores on group case submissions. Responsibility for submitting the desired answers by the deadline is the joint responsibility of the entire group, regardless of how the group determines the allocation of the work.

Additional availability
Outside of class, post your questions in the appropriate thread on the discussion board. You will receive a response within 24 hours and often times much faster than that. Course-related questions sent to me directly will be posted on the discussion board with attribution. Students are welcome to post replies where applicable. I am also available an hour before class in my assigned Wieboldt office – please make an appointment though so I can appropriately allocate my class preparation time. To schedule an appointment, send an email directly to me at milbradt@kellogg.northwestern.edu. Exception: No questions are answered about a case before it is turned in. If you are unclear about something, make an assumption, and state this assumption very clearly in your answer, and move forward with your solution. As long as your assumption is reasonable, then your approach will be acceptable.

Classroom etiquette
As you know, Kellogg has established a series of guidelines to make sure that the classroom environment enhances the learning experience for all students. Please take the time to familiarize yourself with the revised Classroom Etiquette code.

http://www.kellogg.northwestern.edu/stu_aff/policies/etiquette.htm

In particular:
1. I expect you to attend every class. If you are unable to attend for an unavoidable reason, you must notify me in advance. There is material discussed in class that is not found elsewhere. Students missing class are expected to speak with classmates about material that was missed. I do not allow use of Ketchup or any other recording devices.
2. I expect you to be ready to begin class on time.
3. I expect you to stay for the entire class.
4. Cell phones should be turned off after check-in. You may not use electronic devices for non-class purposes (i.e. email, web-surfing) during class.

Honor code
The first sentence of the Kellogg Honor code reads: “All students enrolled in a course offered by the Kellogg School of Management agree to abide by the Kellogg Honor Code.” If you are unsure of what this means, please read the honor code. You can find it at:
http://www.kellogg.northwestern.edu/stu_aff/policies/honorcode.htm. If you are in doubt about whether something is acceptable under the honor code, please do not hesitate to ask me.

In particular, the following are considered honor code violations:

1. Consulting materials distributed in any other section of this course or any other Kellogg finance course.
2. Discussing cases with any individuals – including former students – other than those students in your current case group.
3. Sharing course materials with anyone at anytime. See below.
4. In future quarters, discussing any course assignment with students then enrolled in this course before those students’ due date.
5. Seeking or receiving any assistance with problem sets, quizzes, the midterm, or the final exam.

Access to course information via the web
Lecture slides, assignments, and course readings will be available on the course Canvas page. Grades will be entered into the electronic gradebook.

Student liaison
The class will nominate a student volunteer to be the student liaison. The liaison will be a sounding board for me on student related issues. Please contact me if you are interested in serving as the class liaison.

Other
All course materials are the intellectual property of the instructor. You may not distribute class materials electronically or in any form to anyone – inside or outside of Kellogg. In particular, you may not share course materials with other students or with your employers after graduating from Kellogg.
**Course outline**
This is an approximate schedule of topics to be covered. We may move faster or slower than indicated. Regardless of the realized pace of the class, the midterm date will not change.

<table>
<thead>
<tr>
<th>Date</th>
<th>Class</th>
<th>Topic</th>
<th>Assignment Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wednesday, September 26</td>
<td>1</td>
<td>Course introduction&lt;br&gt;Module 1: Time value of money</td>
<td></td>
</tr>
<tr>
<td>Wednesday, October 3</td>
<td>2</td>
<td>Module 2: Applications of the time value of money</td>
<td>Quiz 1</td>
</tr>
<tr>
<td>Wednesday, October 10</td>
<td>3</td>
<td>Module 3: Capital budgeting</td>
<td>Quiz 2</td>
</tr>
<tr>
<td>Wednesday, October 17</td>
<td>4</td>
<td>Ocean Carriers discussion&lt;br&gt;Module 4: Pro forma valuation</td>
<td>Ocean Carriers &amp; Quiz 3</td>
</tr>
<tr>
<td>Wednesday, October 24</td>
<td>5</td>
<td>Teuer (A) discussion&lt;br&gt;Module 5: Multiples valuation</td>
<td>Teuer (A)</td>
</tr>
<tr>
<td>Wednesday, October 31</td>
<td>6</td>
<td>Midterm Exam&lt;br&gt;Module 6: Risk, return, CAPM</td>
<td>Quiz 5</td>
</tr>
<tr>
<td>Wednesday, November 7</td>
<td>7</td>
<td>Teuer (B) discussion&lt;br&gt;Module 6: Risk, return, CAPM, continued</td>
<td>Teuer (B)</td>
</tr>
<tr>
<td>Wednesday, November 14</td>
<td>8</td>
<td>Module 6: Risk, return, CAPM, continued&lt;br&gt;Schumpeter discussion</td>
<td>Schumpeter &amp; Quiz 6a</td>
</tr>
<tr>
<td>Wednesday, November 28</td>
<td>9</td>
<td>Module 7: Capital budgeting with risk</td>
<td>Quiz 6b</td>
</tr>
<tr>
<td>Wednesday, December 5</td>
<td>10</td>
<td>Ameritrade discussion&lt;br&gt;Module 8: Financial options</td>
<td>Ameritrade</td>
</tr>
<tr>
<td>Friday-Tuesday, December 7-11</td>
<td>11</td>
<td>Remote Final exam</td>
<td>Final Exam, Peer Review, Participation self-evaluation</td>
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