Course Syllabus

Course description: Finance I 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 I 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. 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. Feel free to use any edition (although the suggested problems in the lecture slides will refer to this edition). Solutions to the end of chapter problems are available on Canvas. It is a violation of copyright law to distribute them to students outside of this class. You will also use this book in Finance II.
2. Lecture slides, cases, Excel templates, 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. Annotated lecture slides will be posted to Canvas after class. I may skip some of the slides in the slide deck, the answers to those are in the associated Excel file.

Grading: Your grade in the course will be based on the maximum of the following:
- 15% three group problem sets, 16% four group case studies, 16% midterm, 33% final, 10% peer review, 10% class participation.
- 15% three group problem sets, 16% four group case studies, 0% midterm, 49% final, 10% peer review, 10% class participation.

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

1. Group problem sets: There are three problem sets to be completed by your study group. These are also in the form of an online Canvas quiz, which must be completed on Canvas on or before 8:00
AM on the day they are due. For each problem set, one member of each group must upload files to Canvas before they are due.

2. **Group Case Studies:** There are four graded case studies. For these case studies, students will be assigned into a study group of four or five people. Case study groups will be posted on the course website 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 they are due. Cases are due at 8:00 AM the day we discuss them. **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.

3. **Midterm Exam:** There will be an in-class midterm. The midterm is open book and open notes. 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 in-class final exam. The final exam is cumulative. The final is open book and open notes. 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. **Class Participation.**

**Practice problems:** There are seven sets of practice problem sets. These are in the form of an online Canvas quiz. When you submit your quiz answers, Canvas will immediately tell you if your answers are correct. You may attempt to solve the problems as many times as you like. Solutions to the quizzes will be posted to the website. The due date listed on the syllabus is when the solutions are available. The problems will be available to you all quarter. Practice problems are named after their respective module. There are no practice problems for module 4, 7, or 9. There are two practice problems for module 6.

**Additional rules regarding assignment submissions:** Late submissions will receive no credit. 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:** I will be available in the classroom before and after class. Feel free to bring food from the Kellogg Table to the classroom before class and bring your questions. Outside of class, post your questions in the appropriate thread on the discussion board. You will receive a response within 24 hours and usually 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 recommend that you subscribe to all of the discussion boards on Canvas so you are alerted when questions and answers are posted to Canvas. I am also available to meet with students at other times by appointment. To schedule an appointment, send an email directly to me at r-korajczyk@kellogg.northwestern.edu.

**Review Sessions:** The TA will be leading review sessions before the midterm and final. She will reach out about scheduling after the quarter starts. The TA is Sneha Kumari: sneha.kumari@kellogg.northwestern.edu.
**Classroom etiquette:** I will circulate a seating chart in the second class. Sign up for a seat and sit there for every class. Display your name cards in each class.

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. In particular: Cell phones should be turned off. 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. 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.
2. Discussing cases with any individuals – including former students – other than those students in your current case group.
3. In future quarters, discussing any course assignment with students then enrolled in this course before those students’ due date.
4. Seeking or receiving any assistance with problem sets, the midterm, or the final exam.

Information on Kellogg’s Classroom Etiquette and Honor Code policies is in the School’s MBA Policies Manual, which is posted to the course Canvas site.

**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. The Canvas gradebook is not very good at handling the optionality built in to the course grade. Because of that, you should ignore the grade column titled “Total.”

**Student liaison:** The Student Liaison is TBA. You should always feel free to reach out to me with issues regarding class. Should you wish an anonymous route, you should feel free to reach out to the student liaisons.

**Academic Support:** Kellogg has a small group tutoring program. I expect to receive details before the quarter starts. Please direct inquiries to Carol Lucido (c-lucido@kellogg.northwestern.edu).

**Other:** All course materials are the intellectual property of the FINC 430 instructors. You may not distribute class materials electronically or in any form to anyone not enrolled in FINC 430 this quarter – inside or outside of Kellogg.

**Attending other sections:** You may, on occasion, attend any of the other sections (31 - T/F 10:30 AM, L120; 32 - T/F 1:30 PM, L120; 33 - T/F 3:30 PM, L120; and 71 - Sat 1:30 PM, Wieboldt 250) if you have a conflict with your section, subject to availability of seats. If you attend sections 32, 33, or 71, please alert Professor Mondragon beforehand. On days in which we are discussing cases you should attend your regular section. The seating charts for my sections will be on Canvas, so you can see which seats are already taken.

**Tips for Studying Finance**

a) **Work problems.** In my experience, working problems is an integral part of learning finance. If you are not a regular Excel user, start with the handout *Use of Financial Functions in Excel*, the associated spreadsheet, and the recommended video tutorials. After reading the textbook assignments, try to solve the
Practice Problems listed in the lecture slides. After these, work other problems in the textbook. Solutions for all of the book problems are on Canvas. Make sure you understand the solutions to the problem sets.

b) Ask questions. Ask questions in class (if you have a question about something, you can be assured that someone else has a similar question). Ask questions at the review sessions. Ask questions through the Canvas discussion boards.

c) Do not fall behind. Keeping up with the material is extremely important. See (b) above.
**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.

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<thead>
<tr>
<th>Date</th>
<th>Class</th>
<th>Topic</th>
<th>Assignment Due</th>
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<tbody>
<tr>
<td>Tuesday, January 7</td>
<td>1</td>
<td>Course introduction; Module 1: Time value of money</td>
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<tr>
<td>Tuesday, January 14</td>
<td>2</td>
<td>Module 2: Applications of the time value of money</td>
<td>Problem set #1 due 8:00 AM. Practice problems module 1 – solutions available</td>
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<tr>
<td>Tuesday, January 21</td>
<td>3</td>
<td>Module 3: Capital budgeting</td>
<td>Maru due 8:00 AM. Practice problems module 2 – solutions available</td>
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<tr>
<td>Tuesday, January 28</td>
<td>4</td>
<td>Module 4: Pro forma valuation</td>
<td>Problem set #2 due 8:00 AM. Practice problems module 3 – solutions available</td>
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<tr>
<td>Tuesday, February 4</td>
<td>5</td>
<td>Teuer (A) discussion. Module 5: Multiples valuation</td>
<td>Teuer (A) – Due 8:00 AM. Practice problems module 5 – solutions available</td>
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<tr>
<td>Tuesday, February 11</td>
<td>6</td>
<td>Midterm exam; Module 6: Risk, return CAPM</td>
<td>Midterm exam, in class</td>
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<td>Tuesday, February 18</td>
<td>7</td>
<td>Schumpeter discussion; Risk, return, CAPM</td>
<td>Schumpeter – Due 8:00 AM. Midquarter-feedback due 8:00 AM</td>
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<tr>
<td>Tuesday, February 25</td>
<td>8</td>
<td>Risk, return, CAPM</td>
<td>Problem set #3 due 8:00 AM. Practice problems module 6a – solutions available</td>
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<td>Tuesday, March 3</td>
<td>9</td>
<td>Capital budgeting with risk</td>
<td>Practice problems module 6b – solutions available</td>
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<td>Tuesday, March 10</td>
<td>10</td>
<td>Ameritrade discussion; Module 8: Financial options; Module 9: Information and Capital Markets; Quarter Wrap-up</td>
<td>Ameritrade due 8:00 AM; Practice problems module 8 – solutions available</td>
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<td>March 17</td>
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<td>Final exam</td>
<td>Final Exam in class</td>
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<td>Monday, March 16</td>
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<td>Peer Review</td>
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