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
1. Corporate Finance, Jonathan Berk and Peter DeMarzo, 5th Edition, Pearson, 2020. 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% 3 group problem sets, 16% four group case studies, 16% midterm, 33% final, 10% peer review, 10% class participation.
- 15% six individual quizzes, 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. **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 8:30 AM 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. The quiz for module 1 counts toward 6% of the grade. I will drop the lowest two of the last 5 quizzes. The three quizzes that are not dropped each count towards 4% of the course grade. Quizzes are due at 8:30 AM on their due date.

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. I may ask you to show your analysis to the class, so please install the Solstice client software on your laptops ([https://www2.mersive.com/download/](https://www2.mersive.com/download/)) so that you can share your screen with the class. Cases are due at 8:00 PM the day before 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 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 in-person final exam. You should sign up for an exam time through the Student Life Office. 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.

**Practice problems**: There are seven sets of practice problems. 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.

**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 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.

**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: 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. 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 any time. 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. 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 Liaisons for my sections are:

- Section 31: TBA
- Section 61: 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.

**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 – inside or outside of Kellogg. In particular, you may not share course materials with other students or with your employers after graduating from Kellogg.

**Attending other sections:** You may 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.

**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>
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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>Midterm 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)</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</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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<tr>
<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 to be administered by Office of Student Life</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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Practice problems are named after their respective module. There are no practice problems for module 4 or 7. There are two practice problems for module 6.