NORTHWESTERN UNIVERSITY
Kellogg School of Management

FINC 430 (Finance 1)

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Preliminary Course Syllabus

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 and supporting material (if any) will be posted on the Canvas website.
Grading
Your grade in the course will be based on the maximum of the following:

- 20% for the best four out of five group case studies, 30% midterm, 45% final, and 5% class participation.
- 20% for the best four out of five group case studies, 0% midterm, 75% final, and 5% class participation.

In addition, a maximum of 6% extra credits can be earned for completing six voluntary Canvas quizzes on time before a specified deadline.

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

1. **Group Case Studies**: There are five graded case studies. The worst score will be dropped. 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 on or before **8:30 AM** on the day they are due.

2. **Midterm Exam**: There will be an in-class midterm exam on **Monday October 23**. 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.

3. **Final Exam**: There will be a mandatory in-person final exam managed by the Student Affairs Office. **No students will be allowed to take the final exam at any other time**. 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.

4. **Participation self-evaluation**: No later than Monday, December 4th, all students must complete a participation self-assessment 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. 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.

<table>
<thead>
<tr>
<th>Participation Grade</th>
<th>Characteristics</th>
</tr>
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<tbody>
<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 <strong>other students found valuable</strong>. 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 2 lectures. When missing a class or arriving late, you always notified me in advance. Regularly volunteered comments or asked questions that <strong>other students found valuable</strong>. In response to being called upon, always demonstrated preparedness. Always used name-card.</td>
</tr>
<tr>
<td>Grade</td>
<td>Requirement</td>
</tr>
<tr>
<td>-------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>B+</td>
<td>Missing from or arriving late to no more than 3 lectures. When missing a class or arriving late, you always notified me in advance. Often volunteered comments or asked questions that other students found valuable. 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 3 lectures. When missing a class or arriving late, you sometimes failed to notify me in advance. Occasionally volunteered comments or asked questions that other students found valuable. 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 3 lectures. When missing a class or arriving late, you sometimes failed to notify me in advance. Infrequently volunteered comments or asked questions that other students found valuable. In response to being called upon, sometimes demonstrated lack of preparedness.</td>
</tr>
<tr>
<td>C</td>
<td>Missing from or arriving late to 4 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 4 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>

Optional Canvas quizzes (for extra credit)
There are six online quizzes, which must be completed on Canvas. 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. Solutions to the quizzes will be posted to the website after a specific due date. To obtain extra credit, you must complete the quiz before solutions become available.

Changing the weights of the final grade due to changes to the course
The Final Exam receives the “residual” weight in the final grade. I.e., if I must make any changes (e.g., adding/dropping assignments due to adjusting the pace of the course), then the weight of the final exam will adjust to add up to 100%. For example, if we need to drop one case because we do not have time to cover this topic, then the weight of the final exam would increase by 5 percentage points.

Calculation of final course grade
I will calculate a separate score for each student in each of the four categories. These six scores will be weighted according to the weights shown above and any extra credit will be added. 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.
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 to meet with students at other times by appointment. To schedule an appointment, send an email directly to me at kueng@kellogg.northwestern.edu. TAs will be leading review sessions beginning in Week 2 at a time/place shown on the Canvas calendar. You are not to email the TAs with questions. Course-related questions sent to a TA directly will be posted on the discussion board with attribution. The TAs and I will be monitoring the discussion board and will respond as described above. 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. 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.

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;
• Communicate to me any scheduling conflicts regarding assignments, classes, or exams to the professor.

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>Class</th>
<th>Topic</th>
<th>Assignments due after this topic</th>
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</table>
| 1     | Course introduction
Overview of finance |                                  |
| 2     | Module 1: Time value of money |                                  |
| 3     | Module 2: Applications of the time value of money | Voluntary Quiz 1 |
| 4     | Applications of the time value of money |                                  |
| 5     | Module 3: Capital budgeting | Voluntary Quiz 2 |
| 6     | Capital budgeting |                                  |
| 7     | Ocean Carriers discussion
Module 4: Pro forma valuation | Case: Ocean Carriers |
| 8     | Pro forma valuation | Voluntary Quiz 3 |
| 9     | Module 5: Multiples valuation |                                  |
| 10    | Teuer (A) discussion | Case: Teuer (A) |
| 11    | **Midterm exam, Monday October 23** |                                  |
| 12    | Module 6: Risk, return, CAPM | Voluntary Quiz 5 |
| 13    | Teuer (B) discussion
Risk, return, CAPM | Case: Teuer (B) |
| 14    | Risk, return, CAPM |                                  |
| 15    | Risk, return, CAPM | Voluntary Quiz 6a |
| 16    | Schumpeter discussion
Module 7: Capital budgeting with risk | Case: Schumpeter |
| 17    | Module 7: Capital budgeting with risk |                                  |
| 18    | Capital budgeting with risk | Voluntary Quiz 6b |
| 19    | Module 8: Financial options |                                  |
| 20    | Ameritrade discussion | Case: Ameritrade |
|       | Final exam to be administered by Student Affairs | Final Exam |
|       | Participation self-evaluation |                                  |

Things to note regarding the course calendar:
- Please check Canvas frequently as assignment due dates might change due to course pace adjustments.
- Quizzes are named after their respective module. There is no quiz for module 4 or 7. There are two quizzes for module 6.