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.

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 1:00 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. I will drop the lowest two of the last 5 quizzes.

2. **Group Case Studies**: There are five 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 1:00 AM 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 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 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.

**Attendance**

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

After downloading the app, you must register for the class by entering Enrollment Code XXXX. 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 across sections 63 and 64 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 core 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 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 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. 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](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 any 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
I will be seeking 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;
• Organize lunches/dinners for interested students and me.
Please contact me if you are interested in serving as the class liaison.

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.
**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>Tuesday, January 9</td>
<td>1</td>
<td>Course introduction</td>
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<td></td>
<td></td>
<td>Module 1: Time value of money</td>
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<td>Friday, January 12</td>
<td>2</td>
<td>Time value of money</td>
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<tr>
<td>Tuesday, January 16</td>
<td>3</td>
<td>Module 2: Applications of the time value of money</td>
<td>Quiz 1</td>
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<tr>
<td>Friday, January 19</td>
<td>4</td>
<td>Applications of the time value of money</td>
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<tr>
<td>Tuesday, January 23</td>
<td>5</td>
<td>Module 3: Capital budgeting</td>
<td>Quiz 2</td>
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<tr>
<td>Friday, January 26</td>
<td>6</td>
<td>Capital budgeting</td>
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<td>Tuesday, January 30</td>
<td>7</td>
<td>Ocean Carriers discussion</td>
<td>Ocean Carriers</td>
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<td>Module 4: Pro forma valuation</td>
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<tr>
<td>Friday, February 2</td>
<td>8</td>
<td>Pro forma valuation</td>
<td>Quiz 3</td>
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<tr>
<td>Tuesday, February 6</td>
<td>9</td>
<td>Module 5: Multiples valuation</td>
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<tr>
<td>Friday, February 9</td>
<td>10</td>
<td>Teuer (A) discussion</td>
<td>Teuer (A)</td>
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<td>Tuesday, February 13</td>
<td>11</td>
<td>Midterm exam</td>
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<td>Friday, February 16</td>
<td>12</td>
<td>Module 6: Risk, return, CAPM</td>
<td>Quiz 5</td>
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<tr>
<td>Tuesday, February 20</td>
<td>13</td>
<td>Teuer (B) discussion</td>
<td>Teuer (B)</td>
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<td>Risk, return, CAPM</td>
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<td>Friday, February 23</td>
<td>14</td>
<td>Risk, return, CAPM</td>
<td>Quiz 6a</td>
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<tr>
<td>Tuesday, February 27</td>
<td>15</td>
<td>Risk, return, CAPM</td>
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<td>Friday, March 2</td>
<td>16</td>
<td>Schumpeter discussion</td>
<td>Schumpeter</td>
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<td>Module 7: Capital budgeting with risk</td>
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<tr>
<td>Tuesday, March 6</td>
<td>17</td>
<td>Capital budgeting</td>
<td></td>
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<tr>
<td>Friday, March 9</td>
<td>18</td>
<td>Capital budgeting</td>
<td>Quiz 6b</td>
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<tr>
<td>Tuesday, March 13</td>
<td>19</td>
<td>Module 8: Financial options</td>
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<td>Friday, March 16</td>
<td>20</td>
<td>Ameritrade discussion</td>
<td>Ameritrade</td>
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<td>Wrap up</td>
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<td>March 17-20</td>
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<td>Final exam to be administered by Student Life</td>
<td>Final Exam</td>
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<tr>
<td>Monday, March 19</td>
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<td>Peer Review</td>
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Things to note regarding the course calendar:

- Quizzes and Case submissions are due at **1:00 AM** on their due date.
- Quizzes are named after their respective module. There is no quiz for module 4 or 7. There are two quizzes for module 6. An optional quiz for module 8 will be made available to you.