Northwestern University
Kellogg School of Management
FINC-430-91 (FINANCE I)
Professor Dimitris Papanikolaou

Syllabus

This syllabus is preliminary and might change up to the first class

Contact Information

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TA: TBA

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 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 class will depend on the following:

Points will be allocated as follows:

Five cases (30%)
In-class midterm (30%)
In-class final (30%)
Problem sets and quizzes (10%)
Class participation (10%)

In sum, there are six components to your course grade.

1. Individual quizzes (10%): 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 9:30 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.

2. Group Case Studies (20%): 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 9:00 PM on the day they are due.

3. Midterm Exam (30%): There will be an in-class midterm exam on Thursday, February 15th. 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 (30%/60%): There will be a mandatory in-person final exam. 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. If you decide to not take the midterm exam, then the final will count towards 60% of your grade.

5. **Peer review**: No later than Monday, March 19, all students must complete a peer review, 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 (10%)**: I expect you to participate in class. I intend for the class to have the format of a discussion rather than a lecture. I will cold-call students, so please make sure you are prepared. If you miss class, you are not required to notify me in advance, but it is your responsibility to cover the missing material.

**Course Attendance**

These are my requirements for class attendance and participation, not doing these will result in losing participation points and, more importantly, a less interesting and lively class:

- Attend all classes
- Arrive on time (early!)
- Sit in your assigned seat and display your name plate (this helps me learn who you are)

Please do not hesitate to participate or ask questions! Everyone will learn more and enjoy class more if the class is active. I will use cold calling at times.

**Re-grade Policy**

If you feel that your homework assignments, cases, or exams have been incorrectly graded, you can submit a re-grade request.

All requests must be made in writing (via email) within seven working days after the assignment or exam has been graded, returned and received by you. Your request should consist of a short, explicit explanation of why you think the grading is incorrect.

Upon submission of a re-grade request, I will review your entire assignment/exam and will let you know my decision as quickly as possible. **Notice that your grade might increase OR decrease**

**Group Cases**

The case assignments are group assignments. You have been assigned your groups and you must work in your assigned group. Each group has to upload a solution via Canvas, clearly list
the name of all group members at the top of the first page or tab. The cases are due by 9:00 PM on the assigned day, typically the day before we discuss the case.

In the interest of fairness, and as required by the honor code, all students face the same set of deadlines. Your case write-up should be of any length you feel is appropriate to answer the questions, but for most cases an Excel file answer is sufficient.

The general rule that I follow regarding cases is that 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.

After the last case has been submitted each of you will be asked to fill out a survey in which you grade your other group members on their contribution. The answers to this question will have a significant effect on the grade each member receives on all of the cases.

Exams

Individuals are expected to abide by the Kellogg honor code and to complete the exam completely independent of any assistance

The midterm will be 80 minutes long and is scheduled on February 15 during normal class time. The final will be 120 minutes long and is scheduled on Thursday, March 22, noon-2pm.

Makeup exams will only be given in the event of documented emergencies or extremely compelling conflicts. If you know of a conflict already bring it to my attention immediately.

Email and 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. Students are welcome to post replies where applicable. Office hours are by appointment only. To schedule an appointment, send an email directly to me at d-papanikolaou@kellogg.northwestern.edu.

A TA will be leading review sessions over the weekend before the midterm and final. Specific dates and times will be provided later. Course-related questions sent to me or the TA directly will be posted on the discussion board with attribution. The TA 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.

Honor Code
The Kellogg honor code strictly applies to all aspects of this course, including class assignments, cases, and exams. Solutions to previous years’ problems cannot be used by you in solving homework, case assignments, or exams. Exams must be done independently, without any contact with anyone but the professor or the TA.

The complete honor code can be found on the Office of Student Affairs' website:

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

Ask if there is any uncertainty as to how the honor code applies to this course.

**Laptop/Tablet and Phone Policy**

I will do my best to not be boring, but that depends in part on you participating in class. To encourage a class with lots of participation I request that you do not use your phone while in class. We will use laptops at various times in class. Apart from these moments, I require that laptops and tablets be closed.

**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>Date</th>
<th>Topic</th>
<th>Assignment Due</th>
<th>Readings/Problems</th>
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<tr>
<td>1</td>
<td>July 16</td>
<td>Course introduction Module 1: Time value of money</td>
<td></td>
<td>Chs. 1, 4.1-4.8 Pr: 4: 10,15, 7</td>
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<tr>
<td>2</td>
<td>July 19</td>
<td>Module 2: Applications of the time value of money</td>
<td>Quiz Module 1</td>
<td>Chs. 5.1-5.3, 6.1, 9.1-9.2 Pr: 5: 10,14 6: 14, 18 9: 6, 8, 12</td>
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<td>3</td>
<td>July 23</td>
<td>Module 3: Capital budgeting</td>
<td>Quiz Module 2</td>
<td>Chs. 2, 3.2-3.3, 7.1-7.3, 8.1-8.4 Pr: 3: 7, 9, 10, 11 7: 6, 7, 11, 14 8: 6, 7, 8, 9, 10</td>
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<tr>
<td>4</td>
<td>July 26</td>
<td>Module 4: Pro forma valuation Ocean Carriers discussion</td>
<td>Ocean Carriers Quiz Module 3</td>
<td>Chs: 19.2-19.6 Pr: 19: 4, 5, 6, 7</td>
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<td>5</td>
<td>July 30</td>
<td>Module 5: Multiples valuation Teuer A and B discussion</td>
<td>Teuer A and B Quiz Module 5</td>
<td>Chs. 9.4, 19.1 Pr: 9: 24-28</td>
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<td>6</td>
<td>August 2</td>
<td>Midterm Exam</td>
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<td>Chs. 10.7-10.8, 12.1-12.3 Pr: 10: 35, 36, 37 12: 2, 6, 10</td>
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<td>7</td>
<td>August 6</td>
<td>Module 6: Risk, return, CAPM</td>
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<td>Chs. 8: 12.4-12.7, 14 Pr: 12: 18, 22, 25 14: 1, 3, 6(a), 7, 12, 15</td>
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<td>8</td>
<td>August 9</td>
<td>Module 6: Risk, return, CAPM, continued Schumpeter discussion</td>
<td>Quiz Module 6a Schumpeter due</td>
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<td>9</td>
<td>August 13</td>
<td>Module 7: Capital budgeting with risk</td>
<td>Quiz Module 6b</td>
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<td>Ameritrade discussion</td>
<td>Ameritrade due</td>
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<td>10</td>
<td>August 16</td>
<td>Module 8: Financial Options</td>
<td>Peer Review</td>
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<td>TBA</td>
<td>Final exam</td>
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