Northwestern University
Kellogg School of Management

FINCM 430 (Finance 1)
Professor John Mondragon

Syllabus

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

Contact Information

Email: john.mondragon@kellogg.northwestern.edu

Email policy: Questions about course material should first be posted to the class discussion board as they will probably be useful for everyone to see. I will post emails sent to me that I think are appropriate for the discussion board. I will try to respond to emails within 48 hours. Longer or technical questions are best to talk about in person instead of over email.

Office hours: Email for appointments, I’m happy to set up time to talk!

Teaching Assistant: Yuqi Zhang

TA email: bipfinanceta@gmail.com

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.

Course Prerequisites

The prerequisites for this course are knowledge of probability and statistics through linear regression and accounting and familiarity with excel. There will be some demonstrations of Excel, but ultimately you are responsible for knowing how to use Excel! There a lot of material to cover and there are many great Excel resources that it does not make sense for us to spend a lot of class time on Excel.

Course readings

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.

**Grading**

Kellogg has grading outlines for core courses that I will follow: 40% of the class receive an A and about 10% of the class receive a C or below.

Points will be allocated as follows:

- Five cases (30%) (four if we are run out of time)
- In-class midterm (20%)
- In-class final (30%)
- Problem sets and quizzes (10%)
- Class participation (10%)

**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 October 24th. The final will be 120 minutes long and is scheduled on December 4th. Locations will be announced closer to the dates.

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.

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 and final dates will not change.

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Assignment Due</th>
<th>Readings/Problems</th>
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<tbody>
<tr>
<td>1</td>
<td>September 19</td>
<td>Course introduction, Module 1: Time value of money</td>
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<td>Chs. 1, 4, 4.1-4.8</td>
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<td></td>
<td>September 21</td>
<td>Module 1: Time value of money</td>
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<td>Pr. 4: 10, 15, 7</td>
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<td></td>
<td>September 26</td>
<td>Module 2: Applications of the time value of money</td>
<td>Quiz Module 1 due Sep. 20</td>
<td>Chs. 5.1-5.3, 6.1, 9.1-9.2</td>
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<td>September 28</td>
<td>Module 2: Applications of the time value of money</td>
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<td>Pr. 5: 10, 14</td>
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<td>October 3</td>
<td>Module 3: Capital budgeting</td>
<td>Quiz Module 2 due Oct. 3</td>
<td>Pr. 6: 14, 18</td>
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<td>October 5</td>
<td>Module 3: Capital budgeting</td>
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<td>9: 6, 8, 12</td>
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<td>October 10</td>
<td>Ocean Carriers discussion</td>
<td>Ocean Carriers due Oct. 9</td>
<td>Chs. 2, 3.2-3.3, 7.1-7.3, 8.1-8.4</td>
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<td></td>
<td>October 12</td>
<td>Module 4: Pro forma valuation</td>
<td>Quiz Module 3 due Oct. 12</td>
<td>Pr. 3: 7, 9, 10, 11</td>
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<td>October 17</td>
<td>Module 5: Multiples valuation</td>
<td>Teuer A and B due Oct. 18</td>
<td>7: 6, 7, 11, 14</td>
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<td></td>
<td>October 19</td>
<td>Teuer A and B discussion</td>
<td>Quiz Module 5 due Oct. 20</td>
<td>8: 6, 7, 8, 9, 10</td>
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<td>October 24</td>
<td>Midterm Exam</td>
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<td>Chs. 9.4, 9.1</td>
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<td>October 26</td>
<td>Module 6: Risk, return, CAPM</td>
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<td>Pr. 9: 24-28</td>
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<td>October 31</td>
<td>Schumpeter discussion</td>
<td>Schumpeter due Oct. 30</td>
<td>Chs. 10.7-10.8, 12.1-12.3</td>
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<td>November 2</td>
<td>Module 6: Risk, return, CAPM</td>
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<td>Pr. 10: 35, 36, 37</td>
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<td>November 7</td>
<td>Module 6: Risk, return, CAPM, continued</td>
<td>Quiz Module 6a due Nov. 9</td>
<td>12: 2, 6, 10</td>
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<td>November 9</td>
<td>Module 7: Capital budgeting with risk</td>
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<td>Chs. 8: 12.4-12.7, 14</td>
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<td>November 14</td>
<td>Module 7: Capital budgeting with risk</td>
<td>Quiz Module 6b due Nov. 16</td>
<td>Pr. 12: 18, 22, 25</td>
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<td>November 16</td>
<td>Module 7: Capital budgeting with risk</td>
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<td>14: 1, 3, 6(e), 7, 12, 15</td>
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