

NORTHWESTERN UNIVERSITY
Kellogg School of Management

INST BUS 304 - Corporate Finance

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Course Syllabus – Spring 2021

COURSE MODALITY

In Spring 2021, BUS INST 304 will be taught remotely through biweekly zoom-based live sessions, supplemented with a weekly review session led by a teaching assistant (TA). The lectures are preceded by pre-recorded videos and quizzes. Participation in the zoom-based lectures is important; they involve group activities and exercises. Moreover, class participation will be evaluated as part of the course grade.

ZOOM GUIDELINES

For all lectures, students should be logged onto the class via Zoom. Keep your Zoom video ON and your Zoom audio OFF. To ask a question during class, you may either a) unmute and start speaking, even if you may interrupt me; or b) use the “raise hand” feature. The ZA (Zoom Assistant) will help remind me, if I miss the raised hand. When I ask a question to the class, please use the “raise hand” feature exclusively. I will typically ask a student with a “raised hand” to answer, but I will also use cold calling. One way to be cold-called with high probability is to violate the Zoom video ON rule! The Zoom “chat” feature should only be used for (1) responding to a question I pose to the class, where I ask you to respond via the chat; (2) if you want to ask a question to the ZA; or 3) you have general background information or questions to share with the class, that does not naturally go with the flow of the ongoing class discussion.

Course description

Corporate Finance covers a manager’s and an investor’s most fundamental finance decision: how to value a project or an asset. Managers must determine the value of building a new 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. Corporate 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 basic knowledge of probability and statistics through linear regression and an introductory course in accounting. These requirements may be satisfied with:

- Sufficient previous or concurrent course work in **statistics** or **econometrics**; by week six, it is important that you know how to run a regression.
- Sufficient previous or concurrent course registration in **accounting**, or prior course work in basic financial accounting.

Course readings

1. **Corporate Finance**, Jonathan Berk and Peter DeMarzo, **5th Edition**, Pearson
This book is very good and strongly recommended. See textbook acquisition instructions posted on the Canvas website for details on how to acquire access to MyFinanceLab, an e-book, and a loose-leaf version of the text at significantly reduced prices.
2. Lecture slides, topic videos, cases, and readings as assigned. Lecture slides, video links, and readings will be posted on the course website. Cases will be distributed via a link to Study.Net link on Canvas.

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 Northwestern. In particular, you may not share course materials with other students or with your employers after graduating.

Grading

Your grade in the course will be based on the maximum of the following:

- 15% video quizzes, 20% group case studies, 20% midterm, 40% final, 5% class participation.
- 15% video quizzes, 20% group case studies, 0% midterm, 60% final, 5% class participation.

As indicated, there are several components to your course grade.

1. **Video quizzes:** Some course content is delivered asynchronously via videos. Following each video, there is a Canvas quiz. All quizzes for a given topic must be completed on Canvas on or before **1: PM Evanston time** on the day they are due. Late quizzes will not be accepted! 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 video quizzes will be posted to the website. Note, there are *multiple* quizzes for each topic.
2. **Group Case Studies:** There are several 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. Students may not attach their name to a case submission, if they did not participate in its completion. Class time will be devoted to the discussion of the cases, but no “solutions” will be provided. For each case, one member of each group must upload files to Canvas before **10:00 AM Evanston time** on the day they are due. Late submissions will not be accepted! *All students in 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 the allocation of the work load.
3. **Midterm Exam:** There will be a virtual midterm exam administered remotely through Canvas. The midterm is open book and open note. You will need your laptop, but the 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. Submissions after the 100 minute time limit has expired will not be accepted!
4. **Final Exam:** The final exam will be administered remotely through Canvas. It must be completed during the final exam period. It will be available throughout the exam period, but students must submit the completed exam within 180 minutes of when they access it. The final exam is cumulative, open book, and open note. You will need your laptop, but laptop use is restricted to accessing the course webpage, course files saved to your computer, or to conduct calculations in Excel. Final exam submissions after the 180 minutes limit has expired will not be accepted!

5. **Participation assessment:** I will evaluate your participation according to the following guidelines. You may provide additional input through peer review, if you so choose, as described below.

Participation Grade	Characteristics
A	<p>In synchronous meetings: Regularly volunteered comments or asked questions that other students found valuable. In response to being called upon, always demonstrated preparedness.</p> <p>On the discussion boards: Regularly asked questions that other students found valuable. Regularly offered help/suggestions to classmates.</p>
B+	<p>In synchronous meetings: Often volunteered comments or asked questions that other students found valuable. In response to being called upon, often demonstrated preparedness.</p> <p>On the discussion boards: Often asked questions that other students found valuable. Often offered help/suggestions to classmates.</p>
B	<p>In synchronous meetings: Occasionally volunteered comments or asked questions that other students found valuable. In response to being called upon, occasionally demonstrated preparedness.</p> <p>On the discussion boards: Occasionally asked questions that other students found valuable. Occasionally offered help/suggestions to classmates.</p>
B-	<p>In synchronous meetings: Infrequently volunteered comments or asked questions that other students found valuable. In response to being called upon, infrequently demonstrated preparedness.</p> <p>On the discussion boards: Infrequently asked questions that other students found valuable. Infrequently offered help/suggestions to classmates.</p>
C	<p>In synchronous meetings: Never volunteered comments or asked questions that other students found valuable. In response to being called upon, never demonstrated preparedness.</p> <p>On the discussion boards: Never asked questions that other students found valuable. Never offered help/suggestions to classmates.</p>

Peer review After the course completion, but before the end of week 10, group members can take the opportunity to evaluate each other. In particular, you may (confidentially) recommend a reduction (up to 25%) in the group score for specific group members, that you feel did not do their part of the work. This can be used for final assignment of the group case study grade for individual students.

Re-grade Policy

If you feel that your quizzes, 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**

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." Please read the honor code to make sure that you know what this entails. You can find it at:

<https://www.kellogg.northwestern.edu/policies/honor-code.aspx>. 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 or Northwestern 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 anytime.
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 the quizzes, the midterm, or the final exam.

Honor code violations will be reported to the proper university authorities.

Course Attendance and Participation

The course will be virtual. 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
- Come to class prepared (I may cold call you!)
- Make sure to log into zoom a few minutes earlier than the class start time.
- Please also make sure you use your full name in your zoom profile.
- Zoom Assistant: The ZA will be helping me manage many of the logistics of Zoom, including polls, managing the participant list, and troubleshooting. If you have any technical issues, or anything that needs to come to my attention during class, private chat with the ZA.
 - You must enable your video: both I as well as your fellow students want to see you on our side of Zoom. Please feel free to use your natural background or a virtual one. However, please avoid backgrounds that may be offensive or those that would distract others.
 - During class, you should devote your full attention to the class material and discussion – please do not use any other electronic devices, except the one you are using to connect to the class. Also, please avoid leaving your seat, doing chores or taking a break during class.

- All students should join the class with their audio muted. I will let you know when you can unmute your audio and join the class discussion. If you have a question or would like to participate in class discussion please raise your digital hand using the “Raise Hand” icon.
- Waiting room: Feel free to join the Zoom class 10-15 minutes before the start. You will be placed in the waiting room (you can’t see or hear anyone, nor they you) until 5 minutes before class starts.
- Lectures and class discussions are for registered students only – access to our Zoom meetings will be secured – you may not share links or passwords with anyone, including friends and family. Similarly, you may not distribute or post online any course material, including handouts, videos or screen shots.
- Chat: During class, you will not be able to send global chat messages or communicate with other students. If you need to send me a message during class, do it through the ZA.
- Participating in class: If you have a question or would like to participate in class discussion, please raise your digital hand using the “Raise Hand” icon in the participant window. Both the ZA and I will monitor hand raises to see when questions arise or to call on a student to answer a question. I prefer content questions to come this way rather than as a private message to the ZA. I will also pause regularly to ask for questions. Please put your hand down, if your question has been answered, or if someone makes the same comment that you intended to make. I may also use the yes/no response in the participant window.
- Warm and cold call: Students are expected to come to class prepared. I will use a combination of warm and cold-calling for answers to some questions, and ask for volunteers for others.
- Layout: You have control over what you see in your Zoom window. I recommend the “Side-by-side” view -- you see the slides large and active speaker small. But this is a matter of personal preference.

Please do not hesitate to participate or ask questions! Everyone will learn more and enjoy class more if the class is active.

Group Cases

The case assignments are group assignments. You will be assigned to a group within a couple of weeks 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. In the interest of fairness, and as required by the honor code, all students face the same 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.

I abide by the general rule 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 able to fill out a survey in which you grade the other group members on their contribution. **The answers to this question can have a significant effect on the grade each member receives on all of the cases.**

Class_session_recordings

The Zoom-only sessions will be recorded, when the discussion involves the entire class. Group exercises and discussions conducted via breakout groups will not be recorded.

Laptop/Tablet and Phone Policy

I will do my best to avoid being boring, but that depends in part on your class participation. To encourage 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 your other laptops and tablets be closed.

Additional resources

Discussion boards

Outside of class, post your questions in the appropriate thread on the discussion board. As the participation guidelines above suggest, students are encouraged to post replies. If necessary, I will reply no later than the next business day. Please plan accordingly! Course-related questions sent to me directly will be posted on the discussion board with attribution.

In-person "office" hours

I am available to meet with students via zoom by appointment. To schedule a zoom meeting with me, send a request directly to me at t-andersen@kellogg.northwestern.edu. As a first course of action, you can also ask questions about the course material in the weekly TA sessions.

MyFinanceLab

Additional (ungraded) practice problems are also available on [MyFinanceLab](#), to which you gained access when you acquired the textbook following the instructions posted on Canvas.

1. Go to **Study Plan** and navigate to the section of the textbook from which you wish the problems to come.
2. You may click on **Choose a Hint** to get help on the question. Do not worry about point deductions, as these questions will not be graded for this course.
3. For additional questions, you can click on **Assignments** then **Take a Quiz/Test** on the left-hand side menu. Although they are called quizzes, they will not be graded and are provided for your practice only.
4. Please note that many of the problems on this website are beyond the scope of our course. You may wish to restrict your use of MyFinanceLab to the textbook chapters and sections listed on the course outline.

Projected Course Schedule and Topics

Course introduction What is Finance and this course about? (1 session)

Module 1 Time Value of Money (2 sessions)

Module 2 Applications of Time Value of Money, including Stock and Bond Pricing (2 sessions)

Module 3 Capital Budgeting with Applications (3 sessions)

Module 4 Pro Forma Valuation with Applications (3 sessions)

Module 5 Multiples Valuation with Applications (2 sessions)

Module 6 Risk and Return, Portfolio Choice and the Capital Asset Pricing Model (CAPM) (3 sessions)

Module 7 Capital Budgeting with Risk (2 sessions)