

NORTHWESTERN UNIVERSITY
Kellogg School of Management

BUS_INST 304 (Corporate Finance)

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Course Syllabus – Spring 2020

Course description

Corporate Finance answers managers' and investors' most fundamental finance question: how should a project or an asset be valued? 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. Using a combination of lectures and business cases, Corporate Finance teaches the discounted cash flow and multiples methods to value projects or assets. These valuation tools lay the foundation for all work in capital markets and corporate finance.

Prerequisites

1. Econometrics: Sufficient previous or concurrent course work in statistics and econometrics. By the 6th week in the term, it is important that you know how to run a linear regression 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.
2. Accounting: Either (i) prior or concurrent registration in accounting class or (ii) sufficient previous course work in basic financial accounting.

Course readings

1. *Corporate Finance*, Jonathan Berk and Peter DeMarzo, 5th Edition, Pearson
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. Lecture slides and readings will be posted on the course website. Cases will be distributed via the study.net link on Canvas.

Course outline

This is an approximate schedule. We may move faster or slower than indicated. Regardless of the realized pace of the class, the midterm date will not change.

Date	Week	Topic	Assignment Due
April 6	1	Course introduction	
April 8		Module 1: Time value of money	
April 13	2	Module 2: Applications of the time value of money	Quiz Module 1 due Apr. 12
April 15			
April 20	3	Module 3: Capital budgeting	Quiz Module 2 due Apr. 21
April 22			
April 27	4	Case discussion: Ocean Carriers	Ocean Carriers due Apr. 26
April 29		Module 4: Pro forma valuation	Quiz Module 3 due Apr. 30
May 4	5	Module 5: Multiples valuation	Teuer A due May. 5
May 6		Case discussion: Teuer (A)	Quiz Module 5 due May. 11
May 11	6	Midterm Exam	
May 13		Module 6: Risk, return, CAPM	
May 18	7	Case discussion: Teuer (B)	Teuer B due May. 17
May 20		Module 6: Risk, return, CAPM	
May 27	8	Case discussion: Schumpeter Module 7: Capital budgeting with risk	Quiz Module 6a due May. 26 Schumpeter due May. 26
June 1	9	Case discussion: Ameritrade	Ameritrade due May. 31
June 3		Module 8: Financial options Wrap up	Quiz Module 6b due Jun. 2
June 9 noon-2pm	10	Final Exam	Peer Review and Participation self-evaluation due Jun. 5

Notes:

- Quizzes and case submissions are due at **9:00 PM** on their due date.
- There is no class on Memorial Day (May 25).
- 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.

Virtual Classroom Etiquette and Ground Rules

My goal is to have a classroom environment that enhances learning and achieves a high level of productivity. In particular, I would like us all to respect the following rules.

- Students are expected to attend every class by Zoom and inform me in advance (via email) when unable to do so as I would expect in a non-virtual setting.
- Students are expected to come to class prepared – I could call on students during class.
- Attendance on time is proper business etiquette and a minimal requirement for class participation. Please be connected to Zoom a few minutes before the class begins. The class will start promptly on time.
- All students must attend the class with their videos enabled – I want to be able to see you on my side of Zoom, just as I would in a non-virtual setting. 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 our classes you should devote your full attention to the class material and discussion – you are not permitted to use any other electronic devices except the one you are using to connect to the class. 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. Sometimes I do not respond to questions right away, but we will have time for questions after each section in the class.
- Zoom chat will be disabled during the class.
- Lectures and class discussions are intended for registered students only – access to our Zoom meetings will be password protected, which will be sent via Canvas announcement – you may not share the links or password with anyone else including friends and family. Similarly, you may not distribute or post online any of the course material including handouts, videos or screen shots.
- Unauthorized student recording of classroom or other academic activities (including advising sessions or office hours) is prohibited. Unauthorized recording is unethical and may also be a violation of University policy and state law. Students requesting the use of assistive technology as an accommodation should contact [AccessibleNU](#). Unauthorized use of classroom recordings – including distributing or posting them – is also prohibited. Under the University’s [Copyright Policy](#), faculty own the copyright to instructional materials – including those resources created specifically for the purposes of instruction, such as syllabi, lectures and lecture notes, and presentations. Students cannot copy, reproduce, display, or distribute these materials. Students who engage in unauthorized recording, unauthorized use of a recording, or unauthorized distribution of instructional materials will be referred to the appropriate University office for follow-up.

Finally, I want to add that these rules are based on my longtime teaching philosophy. I expect my students to come prepared to class and participate at the upmost professional manner. My objective is to teach you and instill in you systematic and organized analytical skills. I also hold myself to the same high standards in terms of preparedness for class. How I am in Zoom is how I am in the classroom whether it is virtual or in person.

Grading

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

- 18% six individual quizzes, 25% five group case studies, 17% midterm, 30% final, 5% class participation, 5% peer review.
- 18% six individual quizzes, 25% five group case studies, 0% midterm, 47% final, 5% class participation, 5% peer review.

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 9:00 PM on the day they are due. When you submit your quiz answers, Canvas will immediately tell you if your answers are correct. You may 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:** 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.

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.

3. **Midterm Exam:** There will be a midterm exam in Week 6. 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, and there will be no rescheduling of the midterm exam.
4. **Final Exam:** There will be a mandatory final exam in the final’s week. Availability to take the final exam at the specified date and time is a prerequisite for class enrollment---*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.

5. **Peer Review:** No later than *June 5th*, 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:** 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 my in advance, but it is your responsibility to cover the missing material. At the end of the quarter, I will grade students based on their attendance and their answers to questions.

Grades will be entered into the electronic gradebook on the course Canvas page.

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.

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.*

Availability

The preferred place to post your questions is the discussion board on Canvas. You will receive a response within 24 hours and often times 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 available to meet with students at other times by appointment. To schedule an appointment, send an email directly to me at zhengyang.jiang@kellogg.northwestern.edu. *Please do not to email the TAs with questions.* The TAs and I will be monitoring the discussion board and will respond as described above.

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 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. Cellphones 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 as 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 anytime. 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.

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;
- Organize lunches/dinners for interested students and me.

Please contact me if you are interested in serving as the class liaison.

Notes

All course materials are the intellectual property of the instructor and the school. You may not distribute class materials electronically or in any other form to anyone – *inside or outside of Kellogg*. In particular, you may not share course materials with other students or with your employers.

Students can find useful resources for safety and security, academic support, and mental and physical health and well-being on the NU help [website](#) and [app](#).