

**NORTHWESTERN UNIVERSITY  
Kellogg School of Management**

**BIP 304 (Finance 1)**  
M/W 2:00-3:20pm [ROOM HERE]

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**Course Syllabus – Spring 2025**

**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 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 or (ii) sufficient previous course work in basic financial accounting.

**Course readings**

1. *Corporate Finance*, Jonathan Berk and Peter DeMarzo, **6th Edition**, Pearson<sup>1</sup>  
The textbook readings and problems are recommended but **optional**. Some students find the lecture notes to be sufficient to learn the required material for the class. However, many other students find the textbook very helpful in understanding the material.
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.

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<sup>1</sup> The publisher recently switched to a rental-only model (I suspect to dry up the secondary market and stop the hamster wheel of new editions primarily motivated to cause obsolescence). You can get electronic access to the book via the MyLab Finance website and get a loose leaf copy of the book for relatively low amounts. The options are described in more detail on the authors' website: <http://www.berkdemarzo.com/cf-student/wbopsip/>

## Grading

Your grade in the course will be based on:

- 21% seven individual quizzes, 20% two group case studies, 25% midterm, 25% final, 5% class participation, 4% peer review. Grading is subject to the curve imposed by WCAS and Kellogg (see “Calculation of final course letter grade” below)

As indicated above, there are six components to your course grade.

1. **Individual quizzes:** There are seven 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 **11:59PM** 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 last score submitted before the due date/time will count** towards your course grade. Solutions to the quizzes will be posted to the website. **Late submissions will not be accepted.**
2. **Group Case Studies:** There are two 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 on or before **9:00AM** on the day they are due.
3. **Midterm Exam:** There will be an in-class exam on **Wednesday, April 30**. 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.
4. **Final Exam:** There will be a final exam on **Wednesday, May 28** that is set in class. *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:** 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. This is to make sure there is no free-riding on the group projects.
6. **Class participation:** I have specific expectations regarding class participation, and I evaluate such participation formally according to the following guidelines. To qualify for a participation grade other than “C”, you must satisfy or exceed **ALL** of the listed characteristics for the given grade. To facilitate my evaluation of your participation, I will be using a seating chart based on where you sit at the start of class 2.

Participation Grade	Characteristics
A	Missing from or arriving late to no more than 1 lecture. When missing a class or arriving late, you always notified me in advance. Regularly volunteered comments or asked questions that <i>other students found valuable</i> . In response to being called upon, always demonstrated preparedness. Always used name-card.
A-	Missing from or arriving late to no more than 2 lectures. When missing a class or arriving late, you always notified me in advance. Regularly volunteered comments or asked questions that <i>other students found valuable</i> . In response to being called upon, always demonstrated preparedness. Always used name-card.
B+	Missing from or arriving late to no more than 3 lectures. When missing a class or arriving late, you always notified me in advance. Often volunteered comments or asked questions that <i>other students found valuable</i> . In response to being called upon, generally demonstrated preparedness. Always used name-card.
B	Missing from or arriving late to no more than 3 lectures. When missing a class or arriving late, you sometimes failed to notify me in advance. Occasionally volunteered comments or asked questions that <i>other students found valuable</i> . In response to being called upon, generally demonstrated preparedness.
B-	Missing from or arriving late to no more than 3 lectures. When missing a class or arriving late, you sometimes failed to notify me in advance. Infrequently volunteered comments or asked questions that <i>other students found valuable</i> . In response to being called upon, sometimes demonstrated lack of preparedness.
C	Missing from or arriving late to 4 or more lectures. Never volunteered comments or asked questions that other students found valuable. In response to being called upon, demonstrated lack of preparedness.
F	Missing from or arriving late to 4 or more lectures. Never volunteered comments or asked questions that other students found valuable. In response to being called upon, demonstrated lack of preparedness. Occasionally disruptive to the learning environment of others.

### Calculation of final course letter 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 35% of students will receive an "A", the next 50% will receive a "B", and the bottom 15% will receive a "C" or lower. The finance department requires this grade distribution across all beginning 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 often times 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 [milbradt@kellogg.northwestern.edu](mailto:milbradt@kellogg.northwestern.edu) making sure to have "BIP304" contained in the subject line. TAs will be leading review sessions beginning in Week 2 at a time/place shown on the Canvas calendar. Course-related questions sent to a TA directly will be posted on the discussion board with attribution. *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**

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 Ketchup or any other 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](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 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.

### **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.

### **Other**

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 from Northwestern.

**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.

Date	Class	Topic	Assignment Due
Tuesday, April 1	1	Course introduction, Module 1: Time value of money	
Wednesday, April 2	2	Time value of money	
Monday, April 7	3	Module 2: Applications of the time value of money	Quiz Module 1
Wednesday, April 9	4	Applications of the time value of money	
Monday, April 14	5	Module 3: Capital budgeting	Quiz Module 2
Wednesday, April 16	6	Capital budgeting	
Monday, April 21	7	Ocean carriers discussion	Ocean Carriers
Wednesday, April 23	8	Module 4: Pro form valuation	Quiz Module 3
Monday, April 28	9	Module 5: Multiples valuation	
<b>Wednesday, April 30</b>	<b>10</b>	<b>Midterm Exam in class</b>	<b>IN CLASS EXAM</b>
Monday, May 5	11	Module 6: Risk, return, CAPM	Quiz Module 5
Wednesday, May 7	12	Schumpeter, Risk, return, CAPM	Schumpeter
Monday, May 12	13	Risk, return, CAPM	
Wednesday, May 14	14	Module 7: Capital budgeting with risk	Quiz Module 6a
Monday, May 19	15	Capital budgeting with risk	Quiz Module 6b
Wednesday, May 21	16	Capital budgeting with risk	
<b>Wednesday, May 28</b>	<b>17</b>	<b>Final Exam in class</b>	<b>IN CLASS EXAM</b>
Monday, June 2	18	TBD (probably: Entrepreneurship financing: Founding a company)	

Things to note regarding the course calendar:

- Quizzes are due at **11:59PM** on their due date. Cases are due at **9:00AM** on their due date.
- Quizzes are named after their respective module. **There is no quiz for module 4. There are two quizzes for module 6.**