

AEM 2241 - Finance Course Syllabus

Fall 2023

Information in this syllabus will be updated from time to time early in the semester. Some of this updated information will also be reflected on Canvas. The line below will help you notice whether the syllabus may have changed since you last looked at it.

Last updated: September 22. See section Changes/Updates to the Syllabus.

1 Course Staff

- **Instructor:** Tibor János, tj13@cornell.edu.
Office hours schedule may change from time to time. Extra office hours will be scheduled before exams. Office hours will not be held during university breaks. The first office hours will be on Tuesday, 08/29. If you have an urgent question before that, please email the instructor.

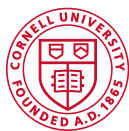
	Tuesdays	Fridays
Time	6:30 to 7:30	6:30 to 7:30
Location	Zoom	Zoom

- The Zoom information for the instructor's office hours is given below.
 - <https://cornell.zoom.us/j/98212382262?pwd=NFg2OGJ1R3hmM3A3a1JFWlQ0b1QyZz09>,
 - Meeting ID: 982 1238 2262; passcode: 421538.
- **Administrative Assistant:** Lisa Macleod, lmm33@cornell.edu, 446 Sage Hall.
- **Teaching Assistants:** See section Teaching Assistants.
- **Course web site:** <https://canvas.cornell.edu/courses/53964>.

2 Course Description

This course provides an introduction to core ideas in finance, as well as a foundation for further study.

Students will understand the concepts of time value of money and discounted cash flow analysis, and will deploy these concepts to value loans, bonds, and stocks. Different flavors of interest rates will be studied, as well as discount rates, and a conceptual connection will be developed between the concept of risk and the choice of a suitable discount rate.



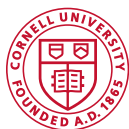
Students will understand how to analyze and choose among investments using the concept of net present value and other investment selection methodologies. By analyzing the characteristics of the various investment selection methods students will be able to avoid the pitfalls of (otherwise widely used but) flawed investment criteria.

The concepts of idiosyncratic and systematic risk will be understood; students will develop an understanding of how idiosyncratic risk can be eliminated by the suitable choice of a diversified investment portfolio. The security market line and the Capital Asset Pricing Model will be introduced as tools that allow for practical construction of such portfolios.

Once the fundamental concepts have been understood, the course will address a number of financial topics critical for corporate management, such as estimating and using the cost of capital in investment decisions (and, related to this, determining the weighted average cost of capital). Decisions related to choosing among various sources of capital available to the corporation will be discussed. Elements of corporate risk management will also be presented, with emphasis on using derivatives for risk management.

3 Course Materials

- **Textbook** (required): Stephen Ross, Randolph Westerfield, Bradford Jordan: Fundamentals of Corporate Finance, 13th edition, McGraw-Hill Education. The textbook is now available on the course Canvas site, in the Course Materials section, and is included in CAMP. **The last day to opt out of CAMP for the Fall semester is September 8.**
- **Financial calculator:** Lectures, problems, and exams will all involve numerical calculations. You will greatly benefit from the use of a financial calculator. The instructor will use a Texas Instruments TI BA II Plus (Professional) device. HP Inc's HP-12C is an acceptable alternative. These devices are the only ones allowed during exams. No other calculators, including scientific, graphing, or programmable calculators, and no tablets, computers, phones, or other devices capable of performing financial calculations are acceptable. A separate handout explains the logic of this decision, which is common for introductory Finance classes. Knowing how to use a financial calculator will benefit those of you who plan to take professional certification exams (e.g., the Chartered Financial Analyst [CFA] exam).
- **Financial press:** We strongly encourage you to read the financial press. The Wall Street Journal, the Financial Times (for a more international perspective), the Economist, and the business sections of large newspapers are great sources of information. Cornell makes it easy to access several of these publications for free; see https://guides.library.cornell.edu/evaluate_news/getting_past_paywalls.



4 Lectures

Lectures are scheduled on Tuesdays and Thursdays, as follows:

08:40-09:55	Statler Hall 196
10:10-11:25	Statler Hall 196

Please attend the section you are enrolled in.

You will typically not be expected to read the material ahead, but you are welcome to follow the course schedule included below and skim the material in advance. The instructor may occasionally assign or suggest extra readings, but these will be communicated on a case-by-case basis. You are strongly encouraged to participate in class discussions. In particular, you should feel free to ask questions at any time.

We will follow the textbook closely; however, occasional extra material may be presented, sometimes as a follow-up to an impromptu class discussion. This extra class material may also be tested on exams. If you missed a class, it is your burden to inquire from your colleagues about any extra material that may have been discussed.

Slides will be provided on Canvas on the morning of each lecture (by about 7 AM on the day when the slides are likely to be first used, or earlier). Generally, lecture notes will span more than one lecture. Not all slides may be discussed and not all details from the slides may be presented in class; however, you will still be responsible to learn that material, unless the instructor stated otherwise.

This is a paperless course, so course materials will be distributed electronically. No course material, including lecture notes, can be distributed to parties not enrolled in the class.

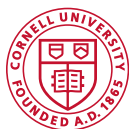
Electronic devices, including laptops, tablets, and cell phones are strongly discouraged for regular use. You are expected to take notes and follow the lecture without being distracted by electronics. No audio or video recordings are allowed.

Exemptions to these policies may be granted on a case-by-case basis. If you need an exemption, please talk to the instructor as soon as possible.

If you can find a way to display a name tag during lectures, we encourage you to do so. Absent this, please remember to say your name whenever you speak up in class. With many students in the class, it will be a challenge for any individual to be noticed.

Attendance is mandatory. To the maximum extent possible, stay in the same seat every time. Front seats are best: you will be seen and remembered easier, and you will have an easier time following the course. Attendance may be taken by the instructor a few times during the semester; the results may be assumed to be typical for your presence during lectures. Attendance may take the form of a brief quiz. **If you cannot attend a lecture, please send a brief email to Ms. Lisa Macleod (lmm33@cornell.edu) stating the reason and the lecture you will miss. Do this before class.**

Late arrival can be highly disruptive to those already present; avoid it as much as you can. The easiest way to be noticed for detrimental class activity is to be systematically late. If you have to leave early, choose a seat close to the exit and avoid making noise as you depart.



5 Exams

There will be two prelim exams.

Exams will be closed-book, closed notes. We will provide you with a formula sheet that you can use during the exam. This formula sheet will be published on Canvas well in advance of the exam.

Exams will consist of a mixture of multiple-choice questions and traditional problems. Multiple-choice questions will be given either full score or zero points. Traditional problems will be given full score, zero points, or half of the allocated points for a “decent”, if imperfect, attempt to a solution.

We will schedule a review session and extra office hours before exams.

If you miss a prelim, the weight allocated to that exam will be reallocated; see the grading section for details. Given this weight redistribution policy in case of missed prelims, we do not plan to offer make-up prelims. Make-up requests for the final will be handled strictly in accordance with university policy for such situations.

The first prelim will test material taught since the start of the semester. The second prelim will test material taught after the first exam (with the caveat that concepts in this course build on each other, so some overlap is unavoidable). The final will have a composite structure: about 60% of the score will be allocated to material taught after the second prelim, while 40% will be allocated to material taught before the second prelim.

6 Homework

We will issue 5 homeworks, all in the form of Canvas quizzes. The homeworks’ main purpose is to familiarize you with the style of multiple-choice questions and problems that you are likely to encounter on the exams. There will be 5 homeworks, issued on the following tentative dates: 09/05, 09/15, 10/17, 11/7, 11/21. Homeworks will be due about one week after they were issued. Dates have been chosen so that there is plenty of time for you to review official solutions and make any adjustments you consider necessary in advance of the exams.

7 Grading

Homeworks will be allocated a total weight of 15%. The lowest relative homework score will be dropped. Since homeworks are good opportunities to prepare for exams, we encourage you to submit all homeworks rather than skipping one.

If you take both prelims, the better one will be allocated a weight of 25%, while the worse one will be allocated a weight of 20%. The final will be allocated a weight of 40%.

Should you take only one prelim, the exam that you missed will be allocated 0%, while the other prelim will be allocated 40%. The final’s weight will increase to 45% in this case.

Should you miss both prelims, all the weight allocated to exams will be assigned to the final exam. Unless extenuating circumstances arise, we urge that you do not consider this latter possibility.

By default, you should plan to take both exams. The policy above is to provide flexibility in case of unforeseen extreme circumstances, not as a suggestion to skip an exam on a whim. We will not



allow for the worse prelim score to be dropped after the fact.

Regrade requests must be submitted in writing, with a clear and concise explanation of what your concern is, within a week after a grade is communicated to students. Any regraded work may be examined in its entirety, and the final grade will reflect all observations and corrections that emerge.

Class activity is not explicitly included in the grading scheme; however, the course staff may use class activity as a positive factor when assigning final grades in threshold cases. The most effective way to be noticed for class activity is to participate in class discussions. We may randomly test class attendance a few times during the semester by circulating a sign-up sheet or a very simple quiz; absent other information, we may assume that your presence on these dates is typical of your class attendance.

While we hope that you take this course motivated primarily by a desire to learn useful material, final grades are also important. Course policies, homeworks and exams are intended to provide differentiation between students based on their knowledge so that grades can be allocated fairly. Do not worry about your absolute scores, but pay attention to your rank within the class.

8 Students With Disabilities

Your access to this course is important to us. Please request your accommodation letter early in the semester, or as soon as you become registered with Student Disability Services (SDS), so that we have adequate time to arrange your approved academic accommodations.

Once SDS approves your accommodation letter, it will be emailed to both you and the instructor. It is your responsibility to follow up with course staff to discuss the necessary logistics of your accommodations.

If you are approved for exam accommodations, please consult with course staff at least two weeks before the scheduled exam date to confirm the testing arrangements.

If you experience any access barriers in this course, such as with printed content, graphics, online materials, or any communication barriers, please reach out to the instructor or your SDS counselor right away.

If you need immediate accommodations, please speak with the instructor after class or send an email message to him and to SDS at sds_cu@cornell.edu.

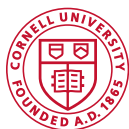
If you have or think you may have a disability, please contact Student Disability Services for a confidential discussion: sds_cu@cornell.edu, 607-254-4545.

9 Academic Integrity

Students are expected to abide by Cornell University's Code of Academic Integrity at all times. For details, see <https://theuniversityfaculty.cornell.edu/academic-integrity/>.

10 FAQ and Communication With Staff

This is a large class. To be effective, the course staff must focus on the best ways to help students.



The syllabus and announcements on Canvas are the best places to find information about administrative matters, such as lecture or exam dates and times, contact information, and similar matters. Review this information before you reach out, and only reach out if your question is not already addressed appropriately in the published materials.

With respect to course material, we find that sometimes students ask vague or very general questions, or ask questions whose answers have been provided, perhaps multiple times, in lectures, in course materials shared with the class, and/or in the textbook. Do your due diligence before you reach out! A definition or a formula, for example, is most likely provided in the course materials, and the lecture notes and textbook may even offer multiple perspectives on the material, helping your understanding.

If you did your due diligence, you reviewed the course material available to you, thought about the issues, and you still have questions, then you are encouraged to reach out to course staff. The best questions are those that are specific, that come from a student who has reviewed basic definitions and examples and who has spent some time trying to overcome the difficulties they wish to discuss. Such a student understands what they do not know, and they will likely be able to remember and put into the right context the information that the course staff provides when answering the questions posed.

Try to time your messages so that you give course staff plenty of time to answer. Do not rely on the assumption that an email sent over the weekend, or late at night, or an hour before an exam will have a quick turn-around time.

Details on how to reach the TAs will be provided in section Teaching Assistants below.

11 Communication Between Students

This is both a very large and a very heterogeneous class, attended by over 200 students. We encourage interactions between students, with the ultimate goal of better understanding the material. To facilitate this, we posted a **Discussion** section on the course Canvas site. Use it! The course staff will monitor the discussions and provide answers and/or feedback as needed. Student interaction on this forum is encouraged.

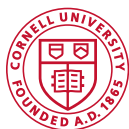
12 Teaching Assistants

We have a competent team of TAs on the staff. Changes to the TAs schedules may occur from time to time - if so, these will be announced through Canvas; the syllabus will also be updated accordingly.

Extra office hours will be announced as exams approach. Unless special announcements are made, there will be no office hours during Cornell vacations or holidays.

Generally, we ask that you write TAs collectively, using the email alias AEM2241-ta@cornell.edu. One TA will reply; if needed, you may continue the respective thread with the person who first addressed your question.

List of TAs, ordered by last name:



Alex Guimaraes	abg236@cornell.edu
Nate Hillenburg	nah82@cornell.edu
Joanne Hu	xh285@cornell.edu
Sarah Lim	sl2226@cornell.edu
Mona Wu	mjlw326@cornell.edu
Jon Yeung	jly43@cornell.edu

Virtual TA office hours will be from 6:30 to 7:30 PM, as follows:

	Sun	Mon	Tue	Wed	Thurs	Fri	Sat
Nate Hillenburg	✓	✓					
Alex Guimaraes				✓	✓		
			Instructor			Instructor	

Virtual TA office hours are accessible using the following Zoom meeting:

- <https://cornell.zoom.us/j/97450459229?pwd=Q2V6SnVuUk9NRWJFNnNTckIxbFh3Zz09>,
- Meeting ID: 974 5045 9229; passcode: 501986.

In-person TA office hours will be offered from 5:30 to 6:30 PM, as follows:

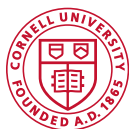
	Sun	Mon	Tue	Wed	Thurs	Fri	Sat
Room		WRN B50	WRN B50	WRN 137	WRN B50		
Sarah Lim			✓	✓			
Mona Wu		✓					
Jon Yeung					✓		

In-person office hours will be offered starting on September 20. Before then, these office hours will also be virtual; use the following Zoom information to attend:

- <https://cornell.zoom.us/j/99762492394?pwd=bUI3ZHptK1FpMHJkLzV0Z2JMbnQxdz09>,
- Meeting ID: 997 6249 2394; passcode: 551847.

13 Course Schedule

Please note that the schedule in Table 1 on the following page is **tentative**. On the days of the two scheduled prelims we have not allocated topics for the class. We may use this time to answer a few last-minute student questions and/or to catch up with course material, if we are behind schedule. If neither case arises, we may allocate these lectures to current Finance topics that provide an opportunity to glimpse more advanced material. We may discuss, for example, the consequences of a possible default affecting US government debt.



	Date	Topic	Chapter
1	08/22	Introduction to Finance	
2	08/24	Time Value of Money	5
3	08/29	Discounted Cash Flow Analysis I	6
4	08/31	Discounted Cash Flow Analysis II	6
5	09/05	Discounted Cash Flow Analysis III	6
6	09/07	Interest Rates & Bond Valuation I	7
7	09/12	Interest Rates & Bond Valuation II	7
8	09/14	Interest Rates & Bond Valuation III	7
9	09/19	Stock Valuation I	8
10	09/21	Stock Valuation II	8
11	09/26	Answer session (in class) Exam: PHL 219, 7:30 to 8:45 PM	
12	09/28	NPV & Other Investment Criteria I	9
13	10/03	NPV & Other Investment Criteria II	9
14	10/05	Reserved	
—	10/10	—	
15	10/12	Capital Investment Decisions I	10
16	10/17	Capital Investment Decisions II	10
17	10/19	Project Analysis & Evaluation I	11
18	10/24	Project Analysis & Evaluation II	11
19	10/26	Capital Market History	12
20	10/31	Review/Exam (evening)	
21	11/02	Reserved	
22	11/07	Risk, Return, and the Security Market Line I	13
23	11/09	Risk, Return, and the Security Market Line II	13
24	11/14	Risk, Return, and the Security Market Line III	13
25	11/16	Cost of Capital I	14
26	11/21	Cost of Capital II	14
—	11/23	—	
27	11/28	Raising Capital	15
28	11/30	Enterprise Risk Management/Derivatives	23
29	TBD	Final Exam (location TBA)	

Table 1: Tentative list of topics.



14 Changes/Updates to the Syllabus

All changes are listed in **reverse temporal order** (last change is listed first):

- [09/22] The list of course TAs has been updated. There are no changes to TA office hours or other activities.
- [09/18] Updated TA information with collective email address. Added room information for in-person office hours; see section 12. Added room information for Prelim I to the Tentative list of topics. Emphasized request **to email Ms. Macleod (not the instructor) in advance of missed lectures** to section 4.
- [09/04] Updated TA information (see section 12). Instructor's office hours changed (see section 1). Added request to email Ms. Macleod in advance of missed lectures to section 4.