

**NORTHEASTERN UNIVERSITY**  
**D'Amore-McKim School of Business**  
FINA 3301: Corporate Finance  
Spring 2023

**Instructor:** Kandarp Srinivasan

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**Weekly Classes:**

Sec 04: CRN 30402: Mondays and Wednesdays (2:50 pm – 4:30 pm): Dodge Hall 150

**Office Hours:** Thursdays 3:00 pm – 4:00 pm: Hayden 413D

**Prerequisites:**

FINA 2201 (Financial Management) and ENGL 1111 (College Writing) or equivalents.

**Textbook:**

*Principles of Corporate Finance*, 13<sup>th</sup> edition, by Richard Brealey, Stew Myers and Franklin Allen, McGraw Hill.

*Ensure you have access to the online homework platform (Connect) because individual assignments will be online.*

**Buy Case Pack (4 cases) from Harvard Business School Publishing:**

Search for “3301 SP 2023” or use this direct link:

<https://hbsp.harvard.edu/import/1007964>

**Financial Calculator:** Texas Instruments BA II Plus.

**Course Objective:** The goal in this course is to develop a deeper understanding of real-world complexities in the practice of corporate finance. The course will build on the theory in FINA 2201 (Financial Management) by introducing practical applications. Case studies will help us move from “textbook” finance to real-world finance. Together, we will develop skills in financial analysis, and learn to think about corporate valuation, capital budgeting and cost of capital from a practitioner’s standpoint.

**Course Philosophy: creating opportunities to develop quantitative skills**

*No matter what our current level is, we can all get better at quantitative problem solving, but what we need is a **growth mindset***

1. **Challenges:** Having the right beliefs/attitude determine real world success to a large extent. The growth mindset<sup>1</sup> is the belief that challenges are opportunities to learn rather

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<sup>1</sup> Dweck, Carol S. *Mindset: The new psychology of success*. Random House Digital, Inc., 2008.

than hurdles to be feared. To help us lose the fear of failure, I will design exams to challenge you (expect average scores in the low-to-mid 70s). There are two potential ways to design exams – we can have low difficulty exams and no curving at the end of the course, or, we can face challenging exams but your downside will be protected through curving (I curve the final course grade up to a B+). I strongly believe the second option will serve you better (it helps lose the fear of facing challenges in real-world situations).

An important takeaway of the growth mindset is that we can get better at anything through the continuous application of effort. No one is naturally a “math person” in the sense of being good at acing quantitative courses *without effort*. So, the idea of “genius” is largely a myth.<sup>2</sup>

**2. Attention to detail:** To help us develop quantitative skills, exams in this course will emphasize being accurate under time constraints. Attention to detail is a critical (and often under-appreciated) skill in the world of business. This is based on my personal experience in investment banking. To succeed in the real world of finance, we need to make a habit of performing methodical and error-free work. The best way to practice this habit is to pay attention to accuracy. I will minimize partial credit in assignments and exams – but my goal is not to judge you, but to help develop skills that will help us succeed in the certification exams<sup>3</sup> or the GRE/GMAT for graduate school.

**Consensus Grading System:** We will vote on one of the options below.

	Option A	Option B	Option C
Connect assignments	16%	20%	24%
Mid-term exam	30%	20%	22%
Group Case Write-up	16%	24%	20%
Group Case Presentation	4%	7%	5%
Class Participation	4%	9%	5%
Final Exam	30%	20%	24%
Weighted Score	100%	100%	100%

<sup>2</sup> Albert Einstein famously said, “It's not that I'm so smart, it's just that I stay with problems longer.”

<sup>3</sup> For instance, the CFA Level I and Level II exams are fully multiple-choice based.

Consensus Option: B

### **Class Participation/Classroom Etiquette :**

*Questions:* I strongly encourage you to ask questions in class. Remember, there is no such thing as a stupid question. Please feel free to interrupt me at any time during the lecture to ask a question. Don't wait till the end of class to ask a question. I am more interested in answering your questions than covering a lot of lecture material.

*Laptops:* I **discourage** the use of laptops in the classroom unless we are solving a spreadsheet exercise together (or you have DRC permissions). Please keep them handy in your bag. This course does not require you to type a lot, because all lecture slides will be available to you at the end of the week. For math-based courses where you are writing formulae down and solving problems, laptops are not very useful. *The (slow) act of writing makes you think better*. So, I would rather you take notes on old-school pen/paper or digital notebooks. If you absolutely cannot do without a laptop, then I will except you to “make up” by being active in the classroom (you **will be** cold-called). To get full class participation credit, the bar is higher for laptop users than for non-users.

*Warm Calling:* To make the class interactive, I will circulate a predetermined list of randomly ordered student names. Every day, two students from that list will be asked to participate in class. Participation could mean anything - asking a quick question, talking about a news article you read, sharing an observation from the textbook etc. Anything goes, as long as it is connected to the class material.<sup>4</sup> To get full class participation credit, *you don't need to participate in every class*.

*In-person:* The course is not an online class (i.e. no Zoom links, no recordings).<sup>5</sup>

### **Assignments:**

**Registration with the Online Textbook (“Connect”):** All assignments in this course are online. To avoid missing deadlines, please ensure you are registered with the Connect software and everything is running smooth at least a week before the due date of the first assignment. I will be unable to grant extensions for last-minute online registration problems.

**How to register with Connect:** Connect is the online software for all textbooks by McGraw-Hill. Log into Canvas and navigate to McGraw-Hill Connect page. Click Begin

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<sup>4</sup> You do not have to feel the pressure to say something “profound”. Even a simple question - “can you explain yesterday’s problem once more?” counts as participation. The idea is to make sure we cover the material at a reasonable pace.

<sup>5</sup> If you happen to fall sick, it is totally okay to skip class. Attendance is not graded in this course. The same policy applies to athletes. It is okay to miss class for a sports event, feel free to attend my office hours to catch up with the material.

and follow on to register for the course. Make sure you register with the same first name and last name as it appears in Canvas. If you already paid for the textbook at the bookstore, then use the access code to register for free. If you decide not to buy the hard copy of the textbook, you can pay for online access using a credit card at the time of registration.

1. *Late assignments and make-up*: To help develop professional standards, let's not accept late assignments in this course. We will also avoid make-up assignments. Missing deadlines will invite a zero score. To be fair to all students, let's make no exceptions.
2. *Time limits and number of attempts*: Connect assignments have unlimited attempts and do not have a time limit (except for the due date). You can save your work and revisit it later.
3. *Best attempt*: The highest score (of all attempts) will be used to calculate final scores.
4. *Exam simulation*: Assignments are designed to be **quizzes** to help us prepare for the exam. This format has several implications:
  - a. No "check my work" feature: Unlike your previous courses, assignments will not feature the check my work option. Why? Check my work hurts our ability to carefully think through problems and develop accuracy (See Course Philosophy for more details).
  - b. *Deductions for repeat attempts*: There will be 1% deduction for each repeat attempt. Say you used 4 attempts. The maximum score you can get is 96% ( $=100\% - 4 \times 1\%$ ).
  - c. Revision of previous attempts: Connect will allow you to revise a previous attempt so numerical values will remain the same.
  - d. I will expect attention to detail while entering numerical answers for a question. If the answer was (negative) "-7.3%" and you entered "+7.3%" or "73%", I will be unable to give extra credit.
5. *Connect scores on Canvas*: It takes time for Connect scores to correctly reflect on Canvas. Please wait for 2 days after the assignment deadline is past before you email me regarding any concerns.<sup>6</sup>
6. *Study attempts*: Connect assignment come with the study attempts feature that allows you to repeat them for exam practice.

### Case Submissions:

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<sup>6</sup> After assignment submission, if you directly close your browser window rather than logging off, it can cause sync problems with Canvas and Connect.

1. *Assignment into Groups*: I will divide the class into groups with the goal of increasing diversity. I will not entertain requests to change groups unless circumstances are truly exceptional.
2. *Grading*: All students within a group will receive the same grade for a case.
3. *Free riding*: I expect all members within a group to contribute to the group submission. Members within a group are allowed to submit a written confidential note to me if any of their team members are found slacking. If I receive more than 3 complaints (from 3 different team members) for any one student, their grade will be drastically reduced.
4. *Case write-up instructions*: Every case comes with a set of questions (typically 3-4) and its own set of instructions. The submission should be a word or PDF file that should be uploaded to Canvas by one of the team members. Cases are due at the beginning of the case discussion class. Delays will result in a zero score. No exceptions.
5. *Case presentations*: Case discussions will open with a presentation by two groups as per the guidelines mentioned at the end of this document. Groups presenting on the day of class should email me the slides before class begins. Each group is allocated a total time of **8 minutes for two slides**. The idea is to mimic how information is presented in the real world. Picture yourself as investment bankers who are helping your client prepare an investor presentation.<sup>7</sup> Remember: a) as far as possible, communicate using graphs (instead of plain text). b) it is okay to pack a lot of information into one slide so long as it is done in a professional manner.

## Exam Policies

6. *Online and open-book exams*: All exams will be open-textbook, open-notes and will be answered online on Canvas. I will use Respondus LockDown Browser and Respondus Monitor (requires a webcam while taking a test). Detailed instructions will follow as we get closer to the dates. **You are required to attempt the practice exam (ungraded) by Feb 21<sup>st</sup> to sort any technical problems with Respondus.**
7. *Exam format*: Most questions on exams will be either multiple-choice or those that require calculations. This format means, *getting the final answer right* is important.<sup>8</sup> See Course Philosophy to understand why accuracy-based testing will prepare us for the real world. Exam questions will fall into 3 categories: Basic, Intermediate and Challenging. Basic and intermediate questions will closely follow in-class examples and assignment problems. Suppose an exam has

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<sup>7</sup> There are plenty of examples on the internet for how investor presentations are prepared. Look at the investor relations section of any public company: <https://www.morganstanley.com/about-us-ir/presentations>

<sup>8</sup> Don't interpret this statement to mean a high number of decimal points. You will never see questions where choices are numerically so close that different calculators throw up different answers. We don't want exams to evaluate us purely on numerical precision.

20 questions in total. The first 8 will be basic, the next 10 will be intermediate and the final 2 questions will be challenging. To give everyone a fair shot at doing well, exams will only cover topics covered in class.

8. *How to prepare*: Practicing problems *multiple times* is the best way to prepare for the exam. Re-work problems in lecture slides, assignments and end-of-chapter questions before the exam. We must avoid reading the solution until we have exhausted all possible ways of thinking about a problem. Think of how you would prepare for a math test in high school. I can never learn math by simply “reading” problems, I have to make a sincere attempt first. Appendix of the textbook has answers to select end-of-chapter problems. In any case, it is more important to deeply understand existing problems than searching for new ones.
9. *No extra credit and no make-up exams*: To be consistent and fair to all students, let’s completely avoid extra credits and make up exams. **You cannot take an exam on a date that is different from the rest of the class.** The only exception is during finals when you file a conflict form. If your circumstances for missing an exam are truly exceptional, I will assign you a score based on your average performance so that you don’t get a zero:

*MissedExamScore*

$$= \text{ClassParticip. Grade}(\%) \times (\text{ClassAverage} + \text{PercentDeviationBased on AnotherExam})$$

For example, suppose you have 100% grade in class participation. Suppose you missed the midterm where the class scored 75%. In the final, suppose you scored 3 percentage points higher than the class average. Then, your midterm exam score will be assigned as 78%. If you miss both exams, then your score will be zero on both.

10. *Intellectual curiosity and study guides*: Successful business professionals are intellectually curious. Despite the emphasis on numbers, industry veterans would agree that Finance is not a hard science – it offers no “list of facts” for us to digest. So the more experience we gain, the more we learn the subject. At our level, this means going beyond class notes to **read the textbook** and newspapers. To instill this habit of reading, I will avoid posting study guides for the exams in this course. Some students like to believe study guides make it more “efficient” to prepare for exams. That may be true, but they will never prepare us for the real world.

### Letter Grades:

Letter grades will be based on either on raw weighted scores or curved weighted scores, depending on how the class performs.

F	$0 \leq \text{score} < 60$
D-	$60 \leq \text{score} < 63$
D	$63 \leq \text{score} < 67$

D+	$67 \leq \text{score} < 70$
C-	$70 \leq \text{score} < 73$
C	$73 \leq \text{score} < 77$
C+	$77 \leq \text{score} < 80$
B-	$80 \leq \text{score} < 83$
B	$83 \leq \text{score} < 87$
B+	$87 \leq \text{score} < 90$
A-	$90 \leq \text{score} < 95$
A	$95 \leq \text{score} \leq 100$

### Curving Policy:

1. *Curving*: I usually curve the raw weighted score so that the average class GPA is between 3.2 and 3.3. This means the weighted class average will most likely be 87% (i.e. around B+ letter grade). If the class does really well in the course, there may not be a need to curve grades. The curving procedure will never lower your “raw” score or relative rank in class. Here’s a description of curving scenarios:

	Class average score on final	Average weighted score of all graded components	Letter Grade based on weighted score	Outcome
<b>Scenario 1</b>	80%	90.0%	A-	No curving needed
<b>Scenario 2</b>	75%	88.6%	B+	No curving needed
<b>Scenario 3</b>	70%	87.2%	B+	No curving needed
<b>Scenario 4</b>	90%	85.8%	B	Will be curved up to a B+

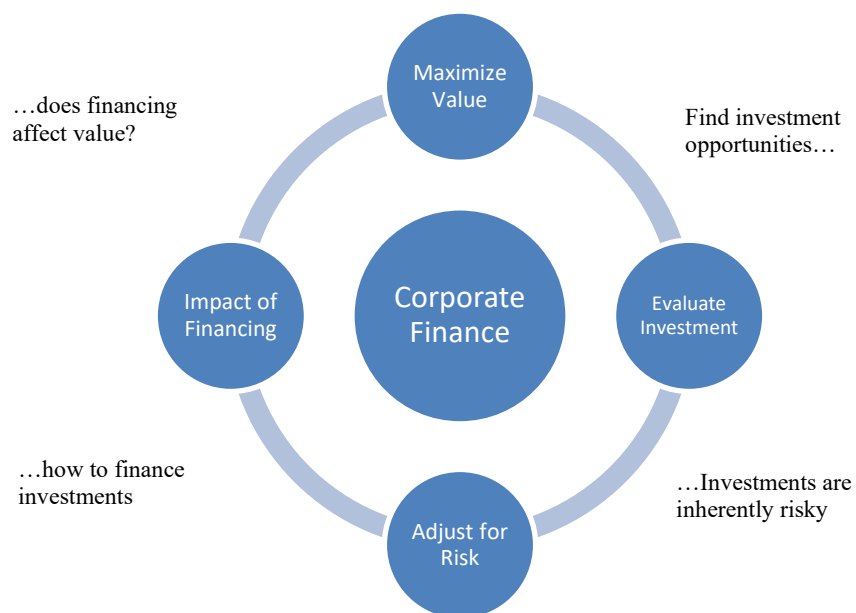
2. The scenarios show that anytime the weighted score falls below 87%, there will be curving.
3. *Individual exams will not be curved*: Only the final weighted score will be curved. Not the individual components. In the above example, it did not matter how low or high the average score on the final was, for curving.
4. *Rounding up scores very close to the cutoff*: Curving is based on a linear transformation formula, so suppose, for a particular student, the formula throws up a number very close to a grade cut-off. Say, 89.9%. Then, I will round up that student’s score to a 90, so that the student gets the benefit of a higher grade.

### Other Guidelines:

1. *Teaching Assistant*: There will be a TA assigned for this course. For *clarification* questions with assignments, please go to the TA first. Since assignments are graded, the TA (or I) cannot help you with the solutions, but if the question itself is not clear, you are welcome to talk to the TA. Once your submission is received, the TA can provide you with detailed solutions.
2. *Academic Honesty*: I expect every student to abide by the NU Honor Code. <http://www.northeastern.edu/osccr/code-of-student-conduct/>
3. *Disabilities Assistance*: If this is applicable for you, please ensure that I receive a formal notification from the Disability Resource Center latest by Feb 15<sup>th</sup>. I may not be able to make changes to deadlines or exams unless I am informed in advance.
4. *Lecture Notes at the end of the week*: We will get a lot out of this course if we read relevant chapters before class. At a minimum, we must go beyond lecture notes and read the textbook. To develop this habit, I will post slides on Canvas at the end of every week's lecture. This means, lecture slides will not be available before the start of a lecture for you to take notes on. This should not be a problem if we read relevant chapters before coming to class. There are two additional reasons why I adopt this format: a) my lectures will involve in class exercises, if I post all answers (slides) even before you attempt the problem, that will hurt the learning experience within the classroom. b) reading lecture slides and reworking problems after the week's lecture will enhance retention.
5. *Emails*: Whenever you email me, please specify which class/course number you are in. I may not respond to students who don't specify these details. Feel free to address me either as "Kandarp" or "Prof. Srinivasan".
6. *Check your scores frequently on Canvas*: I will make every effort to post your final scores soon after the last exam. But, I need your help: any concerns related to grading components not related to the last exam need to be settled well in advance to avoid delays. So, let's set a strict deadline – I will assume all scores (assignment, exams) reflected on Canvas are **final** unless discrepancies are brought to my attention before the last exam. I will not entertain any requests for change once the last exam is over.

### Course Knowledge Map:





### Course Schedule\*:

Week	Dates	Topics	Required Readings
1	1/9	Introduction, Course Philosophy and Overview	Chapter 1
	1/11	Overview, Present Values	Chapter 1, 2
2	1/16	<b>No classes</b>	
2	1/18	Bond Valuation	Chapter 3
3	1/23-1/25	Bond, Stock Valuation	Chapter 3, 4
4	1/30-2/1	Decision making using NPV	Chapter 5, 6
5	2/6-2/8	Risk and Return	Chapter 7, 8
6	2/13	Hansson Private Label Case	

	2/15	Risk and Return	Chapter 8
7	2/20	<b>No classes</b>	
	2/22	Cost of Capital, Project Analysis	Chapter 9, Chapter 10
8	2/27	<b>Mid-term exam</b>	
	3/1	Mid-term discussion	
9	3/6-3/9	<b>Spring break, no classes</b>	
10	3/13	Project Analysis	Chapter 10
	3/15	Strategy and Economic Rents	Chapter 11
11	3/20	MJD Manufacturing Case	
	3/22	IPOs	Chapter 15
12	3/27 – 3/29	Debt Policy	Chapter 17
13	4/3	Facebook IPO Case	
13	4/5	Debt Policy	Chapter 17, 18
14	4/10	Marriott Cost of Capital Case	
	4/12	Debt Policy	Chapter 18

15	4/17	No classes	
	4/19	Course Review	

**Individual Assignment Deadlines\*:**

<b>Due Date</b>	<b>McGraw-Hill Connect Assignments</b>	<b>Chapters</b>	<b>Instructions</b>
2/2	Connect Assignment 1	1,2,3,4	Due online by 11:59 pm ET
2/23	Connect Assignment 2	5,6,7,8	Due online by 11:59 pm ET
3/27	Connect Assignment 3	9,10,11	Due online by 11:59 pm ET
4/13	Connect Assignment 4	17,18	Due online by 11:59 pm ET

\*In case any of these dates change, you will be notified well in advance.

**Group Assignment Deadlines\*:**

<b>Due Date</b>	<b>Case Submissions</b>	<b>Instructions</b>
2/13	Hanson Private Label Case	Any <u>one</u> team member should upload on Canvas by 10 am ET.
3/20	MJD Manufacturing Case	Any <u>one</u> team member should upload on Canvas by 10 am ET.
4/3	Facebook IPO Case	Any <u>one</u> team member should upload on Canvas by 10 am ET.

4/10	Marriott Cost of Capital Case	Any <u>one</u> team member should upload on Canvas by 10 am ET.
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### Group Presentation Guidelines

Case	Presentation by	Slide	Topic
Hansson	Group 1	1	Industry overview
		2	Company overview
	Group 2	1	Explain the private label industry set up by describing the benefits from two viewpoints: a) manufacturer, b) retailer
		2	Discuss opportunities and risks of the HPL's investment proposal (qualitative)
MJD Manufacturing	Group 3	1	Industry overview
		2	Company overview
	Group 4	1,2	Perform a qualitative size-up (i.e. pros and cons) of the investment opportunities that Harris is considering.
Facebook	Group 5	1	Industry overview
		2	Company overview
	Group 6	1	How does Facebook make money? What is the source of its competitive advantage?
		2	Perform a SWOT analysis of Facebook.
Marriott	Group 7	1	Industry overview
		2	Company overview
	Group 8	1	What are the opportunities and risks in pursuing Marriott's financial strategy?
		2	Are there parallels with Marriott's business model and any other firm in today's lodging industry?

\*In case any of these dates change, you will be notified well in advance.