

A Typical Approach to Pre-Class Preparation

Start by reading the canvas assignment in full, then...

1. Read the case, with consideration of the study questions **10-25m**
2. Read “Butler Lumber Day 1 Tools” which describes the finance concepts and tools you can use to answer the study questions **5m**
3. Complete focused and surrounding readings from our textbook **10-30m**
4. Complete the “Sources and Uses” tutorial **20-40m**
5. Open “Butler Lumber Day 1 Exhibits” in Excel and (at least) fill in the templated sections with your financial analysis by applying what you learned in Steps 2-4 to the case at hand **20-40m**
6. Consider how these analyses along with a qualitative assessment of the drivers of Butler’s business success inform the study questions **10-30m**

Navigating Canvas for Finance 1

Materials

Case: [Butler Lumber \(Abridged\) \(222011\)](#)

Exhibits: [Butler Lumber Day 1 Template](#) [Butler Lumber Day 1 Tools](#)

Tutorial: [Sources and Uses](#)

Focused Reading (Required): *Corporate Finance*, pp. 41-42 (Margins), pp. 45-46 (Leverage Ratios), pp. 48-50 (Operating Returns and the DuPont Identity), pp. 929-931 (The Cash Cycle), pp. 932-933 (Trade Credit)

Background Reading (Optional): *Corporate Finance*, pp. 41-52 (Financial Statement Analysis), pp. 928-944 (Working Capital Management)

Note: If you prefer to read a physical copy of *Corporate Finance*, we have many, many copies available at Baker Library. Feel free to check one out and renew, as long as the textbook is not collecting dust in your room.

Assignment

Day 1

1. Read the [Course Requirements and Grading Memo](#) and [Tips for Finance 1 Preparation](#).
2. How well is Butler Lumber performing?
3. What has been Mr. Butler's financial strategy? What have been Butler Lumber's sources and uses of funds over the period from 1988 to 1990? Why does Mr. Butler have to borrow so much money to support this profitable business? Has he been managing his company's cash conversion cycle wisely?

Pre-Class Preparation

- We will spend two days discussing the Butler Lumber case. If you want to work ahead, we will assign the [Percent of Sales](#) Tutorial for Day 2.
- The tutorials give you an idea for how to approach the financial analysis required to answer the assignment questions.
- Focused readings cover topics we will discuss in class. If you prefer to read a physical copy of *Corporate Finance*, we have copies available at Baker Library. You can check one out and renew as often as you like.
- Background readings provide broader perspective and additional detail on topics related to our class discussion.

An Excel file that contains the case exhibits and a template for your financial analysis. Use this to apply what you learned from the tutorial and the textbook readings

A Powerpoint file that describes the finance concepts and tools you can use to answer the study questions

A mini lecture and example of the analysis of the sources and uses of funds

Focused readings from our textbook that describe the relevant analyses for tomorrow's discussion

Other Elements of Preparation

- Prior to Day 1, read the **Course Requirements and Grading** memo
- Prior to Day 2, read the **Course Overview Note**
- On most days, we will either:
 - Ask you to **answer a poll** with the results of your analysis in #5 on the previous slide
 - Ask you to **upload your excel spreadsheet** from #5
- On selected days, you can bring your **laptops to class**
 - This will be indicated in canvas
 - The default is laptop closed on these days, open only when instructed

Progression from Finance 1 to Finance 2

- Our cases in **Module 1** through **Module 2** will provide more guidance to get you started with case analysis
 - Specific guidance on the relevant tools and textbook pages for class discussion
 - Video tutorials: These will phase out in Module 3
 - Templated exhibits: These will be intermittent throughout the course
- NB: In **Module 3** and in Finance 2, we will explicitly provide less guidance as you develop the skill of deciding **what to do** as well as **how to execute**
 - This is almost always the more valuable skill in practice

How to Integrate GenAI Into Your Education

- **Delay:** Do not consult GenAI until you have prepared on your own, then clarify concepts, terms, and tools not the assignment questions
- **Go Socratic:** Ask GenAI to ask you questions not vice versa
- **Our principles**
 - GenAI models do not yet perform **robust audits** of a completed models and do not yet produce **high-quality Excel models** from scratch
 - Even if/when they do, we believe that the best way to learn finance is to build simple models from scratch **on your own** and explain them in class discussion
 - As a result, the two tests and the final will not allow live access to GenAI
 - You do not need GenAI in Finance 1, but the models can be useful educational companions, when used wisely and in accordance with [HBS Rules](#)

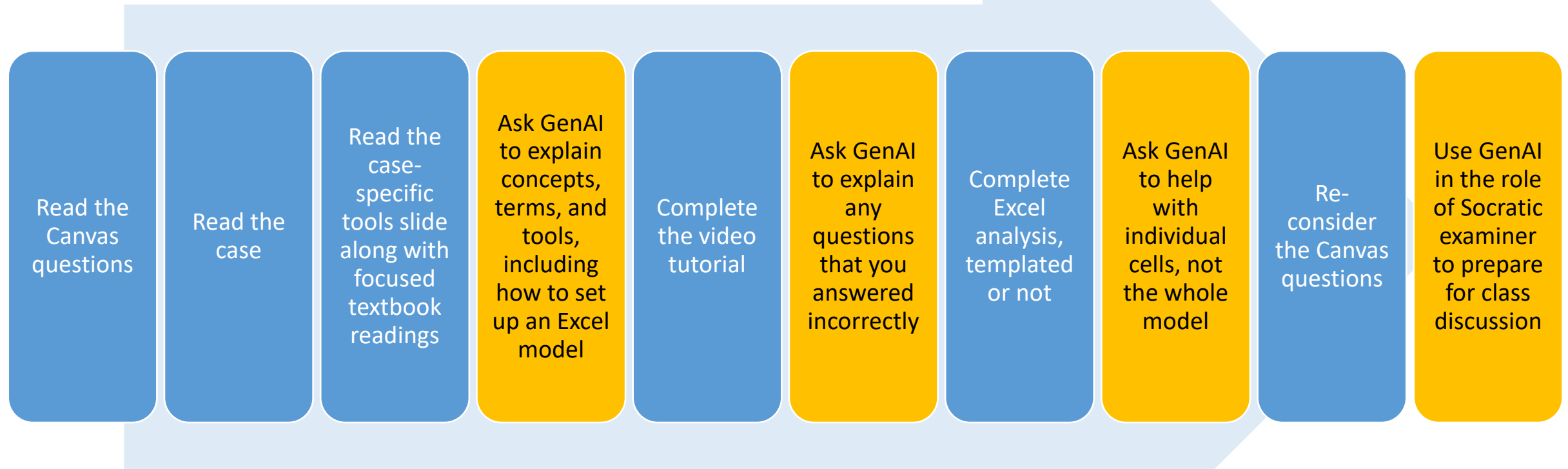
GenAI-Augmented Preparation

- Read the Canvas assignment and the case next **by yourself**
- Read “Butler Day 1 Tools” and complete the focused readings from Canvas, while jotting down confusing concepts, terms, and tools
 - **Then ask GenAI** to explain these (e.g., gross and net margin, leverage, the DuPont Identity, DCF), trying different levels of complexity (e.g. explain the term to an eighth grader or engineer) or quiz you to test understanding
- Complete the “Sources and Uses” tutorial
 - **Then ask GenAI** to explain questions you missed, stating “I got this question wrong. Can you explain it to me...,” cutting and pasting the “Wrong Answer” panel from Canvas and, where relevant, downloading the **completed spreadsheet** and uploading it to GenAI

GenAI-Augmented Preparation (Continued)

- Complete the templated sections of “Butler Lumber Day 1 Exhibits,” **by yourself**, while flagging places where you are uncertain
 - **Then upload your completed template and ask GenAI** to resolve your uncertainty cell-by-cell e.g. “In Cell B27 of Exhibit 2, I compute inventory days as Inventory B7 over Annual Sales B5 on Exhibit 1 multiplied by 30. Is that correct? If not, please help me understand where I went wrong.”
- Consider how these analyses along with a qualitative assessment of Butler’s business success inform the study questions **by yourself**
 - **Then upload the case and ask GenAI** to “Prepare me for class with these questions one-by-one, probe my answers with follow-ups but do NOT answer questions or perform calculations...” and paste in the Canvas questions after

Use Your **Brain First**



Use **GenAI Later** and To Clarify Concepts, Terms, and Tools... **Not for Judgment**

Appendix

Suggestions for Richer Prompts

Richer Prompt: Clarifications

- I am an MBA student trying to grasp several financial concepts: Gross Margin, Net Margin, DuPont Identity, DCF, and [any others]
- Instructions: For each concept, provide a two-part explanation
 - Part 1: The Analogy. Explain the concept using a simple, real-world analogy (e.g., related to a lemonade stand, a household budget, or a car)
 - Part 2: The Business Application. Explain the concept in the context of a business like Butler Lumber, referencing why a manager or investor would care about this metric
 - Structure your response as a clear, easy-to-read table with two columns: 'Concept' and 'Explanation'

Richer Prompt: Tutorial Explanations

- I am trying to diagnose a mistake I made on a question from the Sources and Uses tutorial. I have uploaded the completed spreadsheet and the 'Wrong Answer' panel from Canvas
- Task: Act as a diagnostic tutor
- Instructions:
 - Carefully analyze both my 'Wrong Answer'
 - Identify the single most likely conceptual error that led to my incorrect answer
 - In a short paragraph, explain that conceptual error to me
 - Provide a single, corrected formula or a step-by-step logical sequence that I can use to correct my work

Richer Prompt: Auditing Cells in Your Model

- I have uploaded my analysis for the Butler Lumber case. I am attempting to calculate [line item] and believe the formula is [formula]. Using the provided data, I have computed it this way: [ex: (Value in Cell B7 of Exhibit 2 / Value in Cell B5 of Exhibit 1) * 365]
- Instructions:
 - First, confirm if my formula is correct for calculating inventory days. If it is correct, explain in simple terms why this formula is a standard financial metric
 - If the formula is incorrect, explain the correct formula. Then, provide a list of common misconceptions that lead to my specific error
 - Do not give me the final answer or perform the calculation for me. Focus on the formula and the underlying concept

Richer Prompt: Overall Analysis

- I am preparing for class discussion. I have uploaded the case, where I am considering the following questions: [Paste the Canvas questions]
- I want you to act as a professor leading a Socratic discussion
- Instructions:
 - Ask me one question at a time
 - Do NOT directly evaluate my answers or tell me if they are right or wrong. Instead, respond with a single, thought-provoking follow-up question that challenges my assumptions or encourages me to think more deeply
 - The questions should be concise and designed to mimic the rigor of an HBS classroom discussion