



## Syllabus EWMBA 203: Introduction to Finance

Spring-B 2020

**Instructor:** Veselina Dinova, [REDACTED]

**Office hours:** Saturday, 1 pm – 2 pm and by appointment at any time

**Class time:** Saturday, 9 am – 1 pm and 2 pm – 6 pm in Chou Hall N300

\*no classes on Saturday, March 28 (Spring Break)

**GSIs:** Ada Johnson: [REDACTED]

**Office hours:** by appointment (please include EWMBA 203 in the subject for timely response)

**Discussions:** TBA (via Zoom, recorded)

### Course Objective

The **main objectives** of this course are to explain the key concepts in finance and illustrate how to apply them to real world situations. The topics covered are:

- Time value of money
- Investment decision rules, Evaluating projects
- Basics of bond and stock valuation
- Risk and return, Portfolio management
- Capital Asset Pricing Model, Cost of capital
- Capital structure, Working capital management, Payout policy

The learnings from this course are crucial for any business professional regardless of their specific career objectives. The course requires no prior knowledge of finance and is designed as such.

The course has been designed so that the median student will spend 6-8 hours per week outside of class studying. Those of you with little background in finance may need more time to prepare. All students are encouraged to request one-on-one time with Veselina and Ada if they need it.

## Course Structure:

A combination of lectures, in-class exercises and case studies will be used throughout the course. In-class discussions, simulations, debates and team assignments are designed to provide a real-world view of the key financial concepts and enhance the learning experience.

Please note there is significant dependence among topics. Therefore, it is critical that you are prepared for each class and that you do not fall behind.

## Course Website

We will use bCourses for most course materials (lecture slides and exercises, prerecorded videos, summary notes, articles, discussion section materials, homework, practice quizzes) and Study.net for protected materials (case studies). We will also use bCourses for the graded quizzes, the final exam and other communication.

## Excel / Financial calculators:

We will use excel extensively in class, for the team assignments and other exercises. Even though the use of electronic devices during lectures and class discussions is not permitted, the students should bring a laptop with excel to class and use it when asked. Performing calculations with excel during the quizzes and the final exam is allowed and encouraged. However, students who prefer to use a financial calculator are allowed to do that too and use a calculator of their choice.

## Recommended Textbook

### **Corporate Finance by Johnathan Berk and Peter DeMarzo, 5th Edition, Pearson**

Using the textbook is recommended, especially for those students without prior knowledge in finance, but it is not required; prior editions of the textbook are also OK to use.

### **Other course materials:**

- Class slides – on bCourses (Modules) prior to each class
- Summary notes – on bCourses (Modules) prior to each class – the summary notes are a more detailed version of the class slides and are in a narrative format
- Excel solutions and pre-recorded short videos for all in-class exercises
- Excel solutions for the team assignments
- Homework solutions – on bCourses (Assignments) after the homework's deadline
- Practice quizzes – on bCourses (Assignments) after each class
- Other relevant articles and materials – on bCourses (Modules) when applicable

## Grading

The final course grade will be calculated as the higher of following two options:

	<b>Option A:</b>	<b>Option B:</b>
Take-home quizzes:	15%	0%
Final exam:	45%	60%
Homework:	10%	10%
Team assignments:	15%	15%
Class participation:	15%	15%

### Take-home quizzes

There will be two short take-home quizzes – calculation and conceptual multiple-choice questions. The quizzes are designed to ensure that you are learning the material and to help us identify any topics which require further explanation. They are individual, open books and notes assignments, administered on bCourses and timed. There will be no make-up quizzes for any reason.

- Quiz 1 – available April 12 - April 19 (9 am) – will cover the material from weeks 1 through 3
- Quiz 2 - available April 26 - May 2 (9 am) – will cover the material from weeks 4 and 5

After each class topic there will be a practice quiz on bCourses. These practice quizzes have no effect on your grade but it is encouraged that you practice with them to prepare for the graded quizzes and ask questions if you are unclear on the solutions.

### Final Exam

The final exam is a take-home exam scheduled for May 16. The exam will include short questions and larger problems from all topics covered during the course. There will be a sample exam posted on bCourses as we approach the exam date and we will hold additional review sessions and office hours to help you prepare for it.

You can request a re-grading of your final exam not later than 48 hours after the exam grades are posted and we make an announcement on bCourses. Your request should clearly document the specific issue you have with the grading and be well reasoned. Please note that we reserve the right to re-grade the whole exam and your grade may change up or down.

### Homework

The best way to learn the course material is to solve problems and practice with the class concepts other ways.

Four of the homework assignments include practice problems posted on bCourses. These assignments are due at 9 am on Saturday following the week when we discuss these concepts in class. You can

submit an electronic copy in word or in excel or a scanned copy of your handwriting. Please do not prepare hard copies.

Two of the homework assignments are simulation games. You need to complete the simulations by 9 am on Saturday following the week when we discuss these concepts in class and self-report completion of the simulations on bCourses. Details on how to access the simulations are posted on bCourses.

The homework assignments are graded on satisfactory/unsatisfactory basis and you have to submit the homework on time to receive credit for it. You can skip one assignment of your choice with no effect on your grade. Ada will discuss the practice problems and the simulations during the weekly discussion sections and the solutions to the problems will be posted after the homework deadline. We will debrief the simulations in class.

### **Team Assignments:**

For each class topic we designed a team exercise to help you apply the theory to a real world situation. Some of these team assignments are case studies and some are other challenges. Your team should be able to complete most of the assignment during class time and we will discuss the solutions together. However, if you need extra time to finalize your work, you will have the chance to do so and post your work on bCourses by 9 am on Saturday following the class discussion. The team assignments are also graded on satisfactory/unsatisfactory basis, but are crucial for your learning experience and preparation for the final exam. One submission per team is enough.

You will be reminded to review the case studies prior to the class discussions.

### **Class Participation:**

You are expected to come to class prepared and actively contribute to the class discussions. The learning environment is greatly enriched by effective participation. Quality is what matters, not quantity. Originality and persuasiveness matter.

### **Discussion Sections (via Zoom)**

The discussion sections will be via Zoom and will be run by Ada. The main purpose of these sections is to review the class concepts, homework problems, quizzes, and answer any questions you may have. The sections are optional, but will likely enhance your learning experience and we recommend you attend live if you can. The sections will be recorded and the link will be on bCourses shortly after the live session.

There will be extra review sessions for the final exam and we will announce the details in class.

### **Honor Code**

As members of the UC-Berkeley community, our expectation is that you will adhere rigorously to the UC-Berkeley Honor Code. Anyone caught cheating on a quiz or exam in this course will receive a failing grade in the course and will also be reported to the University Center for Student Conduct.

## Class schedule

### Class 1, March 21

Topic: Course Introduction; Time value of money

- Textbook: chapters 3, 4 and 5
- Team assignment: trade-off between buying and renting a home in San Francisco (on bCourses): due 9 am on April 4
- Homework 1: due 9 am on April 4

### Class 2, April 4

Topic: Investment decision rules and Capital budgeting

- Textbook: chapters 7 and 8
- Team assignment: Case study New Heritage Doll Company (on study.net): due 9 am on April 11
- Homework 2 – capital budgeting simulation: due 9 am on April 11

### Class 3, April 11

Topic: Capital budgeting simulation debrief, Bonds and Stocks

- Textbook: chapter 6 and 9
- Team assignment: Optimists versus sceptics Uber and Peloton (to be debriefed on April 18): due 9 am on April 18
- Homework 3: due 9 am on April 18

**Quiz 1: the topics from weeks 1 through 3, due 9 am on April 18**

### Class 4, April 18

Topic: Risk and return; Portfolio management

- Textbook: chapters 10 and 11 (11.1 - 11.5)
- Team assignment: Case study Investments: delineating and efficient portfolio (on study.net): due 9 am on April 25
- Homework 4: due 9 am on April 25

### Class 5, April 25

Topic: Capital Asset Pricing Model (CAPM); Cost of capital

- Textbook: chapters 11 (11.7-11.8) and 12
- Team assignment: Estimate the cost of capital of AirBnB (on bCourses): due 9 am on May 2
- Homework 5: due 9 am on May 2

**Quiz 2: the topics from weeks 4 and 5, due 9 am on May 2**

**Class 6, May 2**

Topic: Capital structure; Working capital management

- Textbook: chapters 14, 15 and 16
- Team assignment: Recommend an efficient capital structure for Lululemon (on bCourses): due 9 am on May 9
- Homework Final: Simulation on financing working capital and growth (HBS): due 9 am on May 9

**Class 7, May 9**

Topic: Simulation on financing working capital and growth debrief; Payout policy; Course wrap-up

- Textbook: none
- Team assignment - COMPETITION: three team challenges to review the course topics

**Final exam (take-home): May 16**