First Class Assignments is published each term to inform students of assignments to be prepared before the first class meeting. These pre-assignments are mandatory for students enrolled in the class and strongly recommended for those who hope to add any of these courses during subsequent phases of registration.

Courses with a Pre-Assignment

30001-01/81/85  Gallemore, John................................................................. 2
30116-01  Soffer, Leonard ................................................................. 2
30121-01/02/81  Weiss, Ira ................................................................. 3
30130-01/81/85  Smith, Abbie ................................................................. 3
30131-01/02/81  Leuz, Christian................................................................. 4
31401-81  Volden, Richard ................................................................. 4
33040-02/81  Huizinga, John................................................................. 4
33503-01/81  Dingle, Jonathan ................................................................. 5
34101-01/85  Meadow, Scott ................................................................. 5
34102-01/85  Schrager, James ................................................................. 5
34102-02  Bunch, Gregory ................................................................. 5
35200-01/02/85  Kempf, Elisabeth ................................................................. 5
35201-01/81  Born, Laura ................................................................. 6
35210-01/02/81  Rajan, Raghuram ................................................................. 6
35215-01/85  Vishny, Robert ................................................................. 6
37200-81  Middlebrooks, Art ................................................................. 6
37201-01/81  Middlebrooks, Art ................................................................. 6
38001-01/02  O’Brien, Ed ................................................................. 6
38122-01/02/81  Risen, Jane ................................................................. 6
40000-01/02/81  Candogan, Ozan ................................................................. 7
40108-01  Birge, John ................................................................. 7
40110-01/81  Ward, Amy ................................................................. 7
42001-02/03/82  Leshno, Jacob ................................................................. 7
42121-81  Morrissette, Stephen ................................................................. 7
**RegionFly: Cost Cutting in the Airline Industry**

**Case Assignment**

**Instructions**
- Please consult the case write-up guidelines before submitting this assignment.
- The assignment is to be turned in via the course website prior to the start of the first class.
- The assignment must be submitted as a single PDF file.
- You may use a question and answer format for the completed assignment.
- Clearly indicate final answers and include any supporting calculations.

**Questions**

1. Calculate the overhead allocation rate per variable direct cost dollar for each of the years (2011, 2012, 2013, and 2014).
2. Are the route costs reported by the cost system appropriate for use in the current strategic analysis? Your judgment should be informed by a classification of the costs listed in Exhibit 2 as variable or fixed.
3. What happened to costs (both direct variable costs and overhead costs) when Route 2 and Route 4 were dropped? Were the two types of costs affected differently? If so, why?
4. Assume that revenues and variable direct costs for each route in 2015 will be the same as they were in 2014, regardless of whether Route 7 is dropped or not. With this information:
   a) Prepare an estimate of the budget for 2015, with respect to the following scenarios:
      I. No additional routes are dropped;
      II. Route 7 is dropped in 2015;
   b) What assumptions did you make to prepare this estimation?
   c) What will be the overhead rate in each of the above scenarios?

5. Would you drop Route 7 in 2015? Why or why not? What additional information would you require (if any) before making a final decision?

**Definitions**

I often receive inquiries about the first class assignment. I do not answer these questions to ensure everyone has access to the same information set. In addition, I want you to reason through the concepts in the case as opposed to plugging numbers into formulas. The following definitions may help you understand the case and questions:

**Overhead**
All costs that are necessary for the production of goods or services, but are cannot be directly assigned to specific products. For example, direct labor and direct materials are not considered overhead. Depreciation and utilities are generally considered overhead.

**Overhead Allocation Rate** = Overhead for Period / Allocation Base for Period
Examples of allocation bases include: direct labor dollars, direct labor hours, machine hours, direct material dollars, etc.

**Gross Margin** = Sales Revenue - Cost of Goods Sold
This should be familiar from introductory financial accounting.

**Standard Cost**
Essentially, the expected (or budgeted) cost for a given period.
30121-01/02/81 Weiss, Ira

**Textbook:** *Entrepreneurial Finance & Accounting for High-Tech Companies, by Frank Fabozzi, 1st edition*

**Week 1 (January 12/13): The Financial & Accounting Infrastructure for Early-Stage Companies**

- Financial accounting use and infrastructure: public vs private entrepreneurial companies
- Financial statements and cash vs accrual
- Cash management, the “burn rate”, and cash runway
- Equity capitalization of private companies
- Internal controls, closing the books

**Required Readings:** *Entrepreneurial Financing and Accounting for High-Tech Companies, by Fabozzi*
1. Chapter 1 - Introduction
2. Chapter 7 - pages 127-130 only, Common Stock and Convertible Preferred Stock
3. Chapter 7 - pages 140-143 only, Pre- and Post-Money Valuation
4. Chapter 8 - pages 147-150 only, The Four Financial Statements

**Optional Background Readings/Podcasts**
1. Chapter 9 (Balance Sheet), Chapter 10 (Income Statement), Chapter 11 (Statement of Cash Flows and Statement of Shareholder’s Equity)
3. Andreessen Horowitz (a16z) Podcast: *Cash, Growth, and CEO • CFO*

---

30130-01/81/85 Smith, Abbie

**For the first class:**

**Watch:** “Welcome to FSA” Video. (Canvas)

**Read:**
- Syllabus.
- WBB: Chapter 1.
- Smith: Getting Started with the 10-K and Proxy Statement.
- Smith: Industry Analysis and Sources of Information.

**Short Questions:**
See Canvas.

**Case Due:**
Amazon, Part I – Introduction to Financial Reports and Corporate Strategy. (Read and be prepared to discuss. Not to be handed in.)

All materials on Canvas except for WBB: Wahlen, Baginski, and Bradshaw text.

**Note:**
See Syllabus regarding Advance “Practice class” on Wednesday, January 6, 1-1:30pm and 6-6:30pm. (optional)
Week 1: Review of Basics and the Core of Valuation

Topics: Core issues in valuation; Why perform fundamental analysis?

Case: Dot-Com Crash of 2000

Please read the following materials to prepare for class in Week 1:
- Leuz, "We need smarter regulation, not more," Forbes (Canvas)
- Sloan, "Fundamental Analysis Redux," The Accounting Review (Canvas)
- Koller et al., Chapter 2: Fundamental Principles of Value Creation (Book)
- Koller et al., Chapter 5: The Stock Market is Smarter Than You Think (Book)
- Koller et al., Chapter 16: Using Multiples (Book)

Please make sure you read these five items ahead of class. You can access readings through the class website, except for the Koller et al. book chapters. While I have assigned more readings than usual for this week, much of it should be a refresher to get you ready for class.

In the same spirit, check out the Valuation Tutorial on Canvas. I created it so that you can assess if you are ready for this class. The slides and the exercise are an excellent way to refresh your memory about ratio analysis and DCF, both of which I assume you are already familiar with.

For the Week 1 assignment, please read and answer below.

6. Palepu and Healy, Chapter 1: Framework for Business Analysis and Valuation (Canvas). The Dot-Com Crash of 2000 is part of this chapter (see pages I-12 to I-36).

7. Think about the questions on page I-28 so that you can discuss them in class.

8. For the assignment write-up, provide a short answer to each of the following questions. Bullet points are also fine.
   a) Who are the main intermediaries and what is their intended function in capital markets?
   b) How are these intermediaries compensated and what incentives do they have?
   c) What role did these intermediaries play in the creation of the bubble?

The assignment needs to be submitted via Canvas as a pdf file before the class section for which you are registered starts. See syllabus and Canvas for more information about grading.
If you have questions about the Course Overview feel free to e-mail me.

- Read Appendix A plus Chapters 1 & 2 in the Abel and Bernanke textbook.

The course moves quickly. It is easier to keep up if you have looked at the material in advance of class. To see what I plan to cover in the upcoming lecture(s), go to the homepage of the course website and click on the link for Lecture Topics.

There are multiple versions of the Class Notes. There is a Preliminary version which is available at least a week before the class in which the notes are covered. This version is for students who wish to go over the notes before class. There is an In-Class version of the notes which can be available as late as 15 minutes before the start of class. The differences between the Preliminary and In-Class version of the Display notes are usually minor, but as I prepare for a lecture I do at times try to improve the notes and also correct typos that I find. There is a Final version of the Regular and Display notes that is available after the conclusion of when the notes have been covered in class. This version reflects all the changes and corrections of typos that were made as a result of going through the material in class.

The slides that I lecture from are taken from the In-Class Version of the Class Notes.

**33503-01/81 Dingle, Jonathan**

Read the syllabus. Do the readings for week 1 indicated on the syllabus and watch the week 1 pre-class videos on Canvas.

**34101-01/85 Meadow, Scott**

This course has a required first class assignment due before the first class meeting. Please see the course Canvas site and read through the syllabus for further instructions. Those considering taking the course must attend the first class session (Week 1) in order to be prepared for subsequent weeks of the quarter.

**34102-01/85 Schrager, James**

For 34102-01 and 34102-85 Attendance at the first class is mandatory.

**34102-02 Bunch, Gregory**

Your first assignment is to come up with an "I imagine a solution..." statement. You will give your statement as part of your self-introduction during the first class. (≤ 250 words)

- Imagine a world in which [someproblem] is solved. Sometimes students think that these must be big problems like world peace or ending hunger. That is not necessary at all. Your problem could be quite ordinary. This exercise is designed to give you a chance to explore or do a deep dive into a problem, a sector, a category. Choose something that interests you.
- Write a short blog post to accompany this statement (≤ 250 words). The written piece will be posted in the blog by the beginning of Week 1.
- Follow this template for your post
  - 1) "I imagine a solution to x problem" statement.
  - 2) Problem. What is the problem? Who does it affect? Estimate number of people affected by the problem. Estimate the financial opportunity.
  - 3) Solution.
    - How is this problem solved today? Competitive rivals? Substitutes? etc.
    - How do you propose to solve this problem?

**35200-01/02/85 Kempf, Elisabeth**

Read the required textbook sections indicated in the class schedule (will be posted on Canvas) and watch the pre-recorded lecture before the first class session.
### 35201-01/81 Born, Laura

**Required Reading:**
The syllabus, plus several optional readings.

**Watch/Listen to:** 3 Pre-Recorded Lectures

**Complete 2 timed Quizzes on line on CANVAS** after you watch the 2 lectures on valuation

**Prepare case in your group; write up due at class meeting time:** ARAMARK Case.

### 35210-01/02/81 Rajan, Raghuram

Read Friedman’s note on corporate social responsibility and skim through Larry Fink’s Letters

Read the Industry and Background Note: Climate Change in 2020

Read the case and be prepared to answer questions in class

**Case:** *Unilever’s New Global Strategy: Competing Through Sustainability*

1. How would you evaluate Paul Polman’s 2010 decision to implement Unilever’s Sustainable Living Plan strategy?
2. How would a large shareholder in the firm view the strategy?
3. How effective was the strategy at the time of the case? What had it done most effectively? What problems or concerns are emerging now?
4. What should management do now? Which of the three options would you favor?
5. How would you implement the option?

### 35215-01/85 Vishny, Robert

Please do the readings in the Introduction section of the syllabus and begin the readings in the Puzzles and Anomalies section. Please think about the week 1 discussion questions on Canvas and be prepared to discuss them in our first class session.

### 37200-81 Middlebrooks, Art

- **Prior to class 1:** Please watch Week 1 pre-recorded videos, read Week 1 required readings, and review Syllabus.
- **Group Projects:** Form a team of exactly 5 students prior to class.

### 37201-01/81 Middlebrooks, Art

- **Lab Project:** Hold internal meeting with your Lab team, meet with your Faculty Coach, work on client kick-off document (template on Canvas).
- **Prior to class 1:** Please watch Week 1 pre-recorded videos, read Week 1 required readings, and review Syllabus.

### 38001-01/02 O'Brien, Ed

I teach all of my sections on Wednesdays, thus starting on Wed Jan 13. But due *before* that first class - **due date Monday Jan 11** - students must do 3 things:

1. Read 2 articles (I provide the PDFs on Canvas)
2. Write a reaction paper to these articles (and submit this via Canvas)
3. Complete an online activity (I provide the link on Canvas)

### 38122-01/02/81 Risen, Jane

**Read:** Syllabus

- Equality by Design: Introduction, 1-17 (required textbook #1)
- The Person You Mean to Be: Preface and Introduction, xvii – 19 (required textbook #2)

**Complete Web Survey 1:** The link to the survey can be found in Canvas. You should complete the survey by Monday January 11th, 12pm.
40000-01/02/81 Candogan, Ozan

1. Purchase “The Goal.”
3. Access to Canvas site for the course and review the materials for Session 1 (under the Home tab).
4. Read the article “Deep Change” and the caselet “Varsity Subs” (Canvas).
5. If needed, read the “Basic Concepts in Probability” document (Canvas).

40108-01 Birge, John

Read the What price Vertigo? case and be prepared to discuss the questions at the end of the case.

40110-01/81 Ward, Amy

Please go to the Canvas site, read the syllabus, and follow the instructions for completing the readings for the first class.

42001-02/03/82 Leshno, Jacob

Readings
- Read over the syllabus
- Read/ review Cabral
  - 1st ed.: Ch. 1 (Micro Review: Ch. 2, Ch. 5 (pp. 69-75), Ch. 6 (pp. 85-91), Ch. 7)
  - 2nd ed.: Ch. 1 (Micro Review: Ch. 2.1-2.2, Ch. 3.1-3.2, Ch. 4.1, Ch. 5.3, Ch. 8)
- Read Porter: “Note on the Structural Analysis of Industries”
- Watch the movie Money Ball, or read the book. We will discuss this during the lecture.

*Note: This class will draw heavily on material from your microeconomics class. If you are unsure of your command of that material, I strongly recommend that you spend some time reviewing it before we begin. Some chapters from the Cabral book that are helpful for review are noted on the syllabus.*

**CASE DISCUSSION QUESTIONS**

Cola Wars

1. Are Coke and Pepsi in an attractive industry? What about the CSD bottling industry? How did profits in each industry look like historically?
2. Perform a five forces analysis of Coke and Pepsi’s industry, treating the concentrate producers and bottlers as an integrated entity. Then think about how your five forces analysis would change if you treated the CPs and bottlers separately. In your analysis, try to come up with evidence for each of the following:
   - How intense is rivalry among firms in the industry? Why?
   - How much power do suppliers and customers have?
   - How large are barriers to entry?
   - How much competition is there from substitute goods?
3. Who has been winning the cola war?

How would you predict that the industry will evolve after 2000? What strategic moves would you recommend that Coke and Pepsi make to respond to these changes? (Analyze each firm’s problem separately.)

*** Because this is the first week, you do not need to turn in a memorandum. Make sure you are prepared for the discussion. ***

42121-81 Morrissette, Stephen

Please access the Canvas site and complete the tasks listed in the “Pre-Work” folder in the Course Documents area prior to the first class meeting. If you are not yet officially registered for the course and do not have access to the Canvas site for this course, please email the professor at stephen.morrissette@chicagobooth.edu to obtain access to the materials. The Canvas site will open approximately one week before class begins.