First Class Assignments
March 21, 2019

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.

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**30116-01/02/81 Christensen, Hans**
Read Chapter 13 of the primary text. The primary text is “Financial Reporting and Analysis” by Revsine, Collins, Johnson, Mittelstaedt and Soffer (7th edition). We will cover that chapter in both weeks 1 and 2.

**30118-01/81 Weiss, Ira**
Read Chapters 1 and 2 of the textbook ‘Taxes and Business Strategy’ by Scholes, Wolfson, Erickson, Hanlon, Maydew and Shevlin, either the 5th edition or the upcoming 6th edition.

**30120-01/81 Maffett, Mark**
The assignment for the first class is as follows:
- a) Read pages 3-22; 26-29 of Chapter 1 in Halsey & Hopkins (i.e., the custom text).
- b) Read Case 1 – Berkshire Hathaway—and be ready to discuss the following questions in class (you don’t need to hand anything in).
  - i. How does BRK generate such large amounts of investable cash flows?
  - ii. BRK explicitly advertises its interest in seeking major deals in its financial statements. Why is BRK so adamant in seeking potential investment opportunities?
  - iii. What are some of the ways in which BRK deploys its large amounts of cash?
  - iv. How does Buffett’s investment philosophy square (or not) with Fama’s “efficient markets hypothesis?”
  - v. Why might a company be more willing to sell itself to BRK than to some other investor?

**30130-01/81/85 Smith, Abbie**
Read:
Valuation: Ch 1: Why Value Value?
Smith: Fundamental Analysis: Step I.
Overview of the Firm – Background Qualitative Analysis
This document provides guidance on the first step of a fundamental analysis, including what to look for and where to find it. Part I describes what to look for in the 10-K/annual report to understand the business (e.g. basic facts, mission, business model(s), strategy, markets and competitive position, key risks). Part II describes what to look for in the proxy statement to evaluate the management team and corporate governance.

Do: Week 1 Exercise: Overview of Amazon: Highlights in the 10-K and Proxy.
This is a “workbook” that walks you through the key sections of the most recent 10-K and proxy statement for Amazon following the approach described in the reading assignment. I recommend that you read up to the end of Part I of Fundamental Analysis: Step I, and then work through Part I of the workbook.

Then read Part II of Fundamental Analysis: Step I and work through Part II of the workbook.

Please be prepared to discuss in class. (You are not required to hand anything in or to write anything up.)

Notes:
- There is both a pdf and word version of the exercise posted to Canvas. The word version is there in case you want to take notes on the document itself as you work through the exercise.
- Feel free to bring your laptop to the first class to enable you to refer to Amazon’s 10-K and proxy statement and to your notes (if any).
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:

1. Palepu and Healy, Chapter 1: Framework for Business Analysis and Valuation (Canvas)
2. Leuz, “We need smarter regulation, not more”, Forbes, 2/9/2009 (Canvas)
3. Investor Roundtable, “From Stock Selection to Portfolio Alpha Generation: The Role of Fundamental Analysis” (Canvas)
4. Koller et al., Chapter 2: Fundamental Principles of Value Creation (Book)
5. Koller et al., Chapter 5: The Stock Market is Smarter Than You Think (Book)
6. Koller et al., Chapter 16: Using Multiples (Book)

Please make sure you read these items **ahead of class.** You can access the readings marked at (Canvas) through class website. See Module for Week 1 or First-Class Assignment. While I have assigned quite a few readings for this week, much of it should be a refresher.

**In addition, please prepare for the case discussion in Week 1.**

1. We will discuss the Dot-Com Crash of 2000. The case is on Canvas in the Library Reserves. It is part of Palepu and Healy, Chapter 1 (see pages I-12 to I-36).
2. Please prepare the four questions on page I-28 so that you can discuss them in class.

There is no required case write-up and the assignment does not have to be handed in. But the case discussion will count towards your participation score.

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33222-81  |  Huizinga, John / Murphy, Kevin

Before the first class students should: (i) Read through the preliminary version of the Course Overview. The link for this document can be found on the [Homepage](#) of the class website. (ii) Install on their computer whatever statistical package they plan to use for this class. The recommended statistical package is R and instructions for Installing R and R Studio are provided in the module **Things to Do Before the First Class.** (iii) Complete a Knowledge of Topics Questionnaire. The questionnaire can be found under **Assignments** on the class website; it collects information on students’ knowledge of certain mathematical, statistical and economic concepts. The results from the completed questionnaires will assist the professors as they develop their lectures. (iv) From the homepage of the class website, click on the link for Weekly Reading Assignments, then click on the link for Weekly Reading Assignments 2019 – Week 1, and do the required reading listed there.

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33305-01/02/81  |  Bertrand, Marianne

**A) Get the textbook.**

A few things on this:

a) I have arranged for a customized version of the textbook to be made available to you at the bookstore. It is called "The Firm and the Non-Market Environment" but it's really just the selected chapters from Baron's "Business and its Environment" we will be using in class.

**NOTE** that Chapters 1 and 2 (which are assigned reading for week 1) are in the Library Course Reserves. This was all done to try to reduce costs for you.

b) If you have put your hand on a cheap secondhand copy of editions 6 or 7 of the textbook and want to use that instead, this is fine.

**B) Do the readings for week 1 as outlined in the syllabus.**

**C) Prepare a two-page write-up on the case "Uber: 21st Century Technology Confronts 20th Century Regulation" and be ready to discuss this case in class.**

(See syllabus for guidelines on the write-ups.)

In particular, consider the following questions (and focus on the question in bold for your memo):

1) **What alternatives did Uber have to address regulatory issues when beginning service in new cities? What are the benefits and difficulties with each?**

2) How do you expect the incumbent taxi operators to respond to the Uber’s entry into D.C.?

3) What should Uber do in the face of the proposed D.C. legislation?
Written Assignment To Be Submitted before the **Beginning** of the First Class: Please describe what you believe are three key sources of financial fragility that led to the financial crisis. You have a maximum of 500 words. Please be sure to demonstrate that you are familiar with the arguments in the readings (described below), but you do not have to agree with those arguments. Feel free to discuss this with your classmates but you should submit your write-up in your own words. On the top of the page or on a cover sheet, please be sure to include your name and sign the following pledge: “I pledge my honor that I have not violated the Booth Honor Code during this assignment.” Please submit your homework through Canvas before the start of class. If you have any problems with Canvas, please bring a hard copy to hand in at the beginning of the class.

**Readings:** We will begin with a short overview of the financial crisis and policy responses. For your written assignment and for class discussion, please read (a) Diamond-Rajan “The Credit Crisis: Conjectures about Causes and Remedies,” (b) the first five pages and Tables 1 and 2 of Kroszner-Melick, “The Response of the Federal Reserve to the Recent Banking and Financial Crisis,” (that is, just the introduction and section I; you can quickly skim the rest), (c) Bernanke “The Crisis and Policy Response,” and (d) Draghi’s famous “whatever it takes” speech from 2012, (e) WSJ article by Bird and Whittall on “The Speech that Transformed Europe,” and (f) WSJ article on “Bank of Japan Ditching 2% Inflation Target Date.” Be prepared to discuss the causes and initial policy reactions to the crisis.

We will also discuss both short- and long-run factors that have led to low or even negative interest rates around the world. Please read the brief *The Economist* article “The Fall in Interest Rates.”

If we have time, we then turn to the relationship between financial development, economic growth, and volatility. Please read the first two pages of Kroszner, “Stability, Growth, and Regulatory Reform (introduction and section 1). Be prepared to discuss whether financial sector development increases or reduces growth as well as macroeconomic and financial stability. (The Arcand et al. paper from the IMF has more detailed econometric analysis of the issues, but it is not required.)

For background, please skim Chapters 1, 2, and 4 of the Mishkin text.

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**34102-01**

Schrager, James

If you are in the course or plan to add the course you must attend the first class session. This is because of critical information in the first session about the way the course will be taught.

**34702-81/82**

Weiss, Ira

Write up a short bio on yourself and your PE/VC interests (not to exceed 500 words). The bio should include (i) work history, (ii) internship and/or SPITC project, including a 1-2 sentence description of the firm, (iii) work interests after graduation, and (iv) something unique about yourself that others might be surprised to know (either personal or business).

**35120-01/02/81**

Pastor, Lubos

The first class assignment is available on [http://faculty.chicagobooth.edu/lubos.pastor/teaching/](http://faculty.chicagobooth.edu/lubos.pastor/teaching/). It will also be available on Canvas when we get closer to the beginning of the Spring Quarter. You can work on the assignment in groups of at most four people. The assignment, which will be graded, is due on April 5 by 8:15am (i.e., shortly before our first class). Please upload your solutions on Canvas. If you have any trouble getting an account or uploading, you can turn in a hardcopy at the beginning of class, but starting with the second assignment, only Canvas submissions (and no hardcopies or email submissions) will be accepted.

**35130-81**

Heaton, John / Sydyak, Oleg

Read chapters 1 and 2 of Veronesi’s book “Fixed Income.”
The first session of Week 1 will focus on the role of corporate finance within corporations, namely project valuation on the left-hand side of the balance sheet and the capital structure decision on the right-hand side. The second session of Week 1 will provide a transition from financial accounting to corporate finance via a case involving a recent buyout of a skilled nursing facility and assessing its financial needs going forward.

Pre-Readings:
- Chapters 1-2 of Brealey/Myers/Allen (BMA)
- Course Lecture Note: Week 1B: Financial Forecasting (on Canvas)
- Chapter 28 of BMA: Sections 1-3 (optional).
- Chapter 29 of BMA: Sections 1-2 (optional).

Booth Case: "Plainview Nursing Home" (on Canvas)
Read the Syllabus with respect to deliverables for cases and number of members in a group. Of the seven cases covered in this course, Plainview is the one case which you are not required to turn in for a grade. However, you are responsible in answering the Plainview case questions as we will spend the second half of class on the case and I will be cold calling.

Case Questions:
1. Why are the new owners unable to raise bank financing for the operations side of Plainview Nursing Home?
2. Why should the new owners consider the line of credit from the investment management company? Is $500,000 a sufficient amount for the proposed line of credit?
   a. In order to answer this question correctly, you will need to create a pro forma balance sheet and income statement for 2018. You could also build a statement of cash flows as well, though not required and we will not have time to cover during this class.
   b. As indicated in the case, the buyers are not purchasing the legal entities from the seller, rather are only purchasing the real estate (facility, etc.) and the right to operate the nursing home.
   c. Though not required to obtain the correct answer, it is helpful if you create the balance sheet for the new entity at the beginning of 2018, immediately at the closing of the transaction, in addition to the balance sheet at the end of 2018.
   d. You will need to make several assumptions about the various line items to forecast in the income statement, most of which are provided in the case. For depreciation, assume the buyers value the Furniture, Fixtures & Equipment at $60,000 at the time of purchase, and plan to expense the entire amount in the first year of operations. In addition, assume no new expenditures on Furniture, Fixtures, & Equipment.
   e. For simplicity, use 2017 only (rather than 2016 and 2017) with respect to percent-of-sales assumption forecasting.
   f. If $500,000 is not the optimal amount to borrow, what is?
3. What is the expected annualized “all-in” (after fees, etc) interest rate on the proposed line of credit?
4. In addition to the collateral, what other measures should the lender try to put in place to minimize the downside risk? What is the downside risk to the lender?
5. What factors explain the difference in the interest rate for the mortgage note versus for the line of credit?
Notes for your Calendar:

1) Attend the Class Organizational Webinar on **Tues, 4/2 from 5:00 – 5:30 pm.** This time will be used to cover some of the basics of the upcoming Lab class and experience, including the first session at Prophet. A link to this webinar will be sent to you via email the prior week.

2) **For Class #1 on Thursday, 4/4 at 6:00 pm, go Directly to Offices of Prophet Consultancy.** Do not go to Gleacher. Please arrive by 5:55 pm so we can start on time. The Prophet address is:
   - 564 W. Randolph St., Suite 700, Chicago, (312) 879-1930

By Class 1 – **Thursday, April 4th:**

Read the Course Description and download the detailed Syllabus from Canvas. There is no required textbook. Do the following required readings and team tasks:

- **Required Readings:**
  - “The Ultimate Marketing Machine.”
  - “Decision-Driven Marketing.”

- **Required Team Tasks:**
  1. Once I introduce you to your client via email, your team should contact your client ASAP and **schedule the one-hour Client Kickoff meeting/conference call to be conducted either Monday, 4/8 or Tuesday, 4/9.**
  2. Meet with your Lab project team:
     - Discuss the Project Charter for your project. Review the week-by-week timelines and deliverables for each of the Assignments. If any issues are surfaced, send an email to your Faculty Coach.
     - Establish a weekly team meeting (no client, no coach). It is less optimal to do marketing lab work individually or remotely so plan as many in-person team meetings as possible. Note that the detailed Syllabus indicates which class sessions will have time for in-class work with your team.
     - Discuss the Team Contract Exercise. Complete & submit the Team Contract by **Sunday, April 7th.** Instructions are in the Assignments folder.
  3. Identify which team members will serve in the following five (5) project **Leadership Roles** (these roles can be rotated):
     - **A. Client Lead**
       - Point-of-contact with the client for ensuring agendas for client meetings, sending/receiving team documents, etc.
     - **B. Project Manager**
       - Monitors progress and keeps team on-track regarding weekly tasks – see project tasks in each of the Assignments.
     - **C. Prophet Mentor Liaison**
       - Point-of-contact with your mentor from Prophet Consultancy.
     - **D. Coach Liaison**
       - Point-of-contact with your Faculty Coach, especially during quantitative work.
     - **E. Research Lead**
       - Point-of-contact with the 2 research partners – UserTesting and Qualtrics. There is web-based training available.

- **Optional Readings:**
  - “Should You Listen to the Customer?”
  - “Creating a Marketing Plan: An Overview.”
  - “Company Research” and “Industry Research.”
  - “The Five Competitive Forces that Shape Strategy.”
By Class 1 – Wednesday, April 3rd:
Purchase the required text. Read the Course Description & Schedule. Do the following required readings and team tasks:

- **Required Readings:**
  - Read the following:
    - **Textbook**: Chapter 2 and Chapter 5 pgs. 130-140.
    - The Voice of the Customer (from the PDMA Tool Book – on Canvas).
    - "What’s Next? After Stage-Gate" (on Canvas).

- **Required Team Tasks:**
  1. Once I introduce you to your client via email, your team should contact your client and **schedule the Client Kickoff meeting to be conducted either Friday, 4/5, Monday, 4/8 or Tuesday, 4/9**.
  2. Meet with your Lab project team:
    - Discuss your Project Charter.
      - Review the week-by-week timelines and deliverables for each of the three Assignments.
      - Establish a weekly team meeting (no client, no coach).
      - Note that the detailed Syllabus indicates which class sessions will have time for in-class work with your team.
    - Discuss the Team Contract Exercise, and complete & submit the Team Contract by **Sunday, April 7th**. Instructions are in the Assignments folder.
  3. Identify which team members will serve in the following four (4) project **Leadership Roles** (these roles can be rotated):
    - **Client Lead**
      - Point-of-contact with the client for ensuring agendas for client meetings, sending/receiving team documents, etc.
    - **Project Manager**
      - Monitors progress and keeps team on-track regarding weekly tasks – see project tasks in each of the 3 Assignments.
    - **Coach Liaison**
      - Point-of-contact with your Faculty Coach.
    - **Research Lead**
      - Point-of-contact with the 2 research partners – usertesing.com and Qualtrics. There is web-based training available.

- **Optional Readings** (all except the **Textbook** are located on Canvas):
  - **Textbook**: Chapter 1 (Strategic Elements of Product Development).
  - "9 Myths About the Voice of the Customer", **PDMA Visions**.
  - **Web/Video**: Scrum Methodology and Video Series: [http://scrummethodology.com/](http://scrummethodology.com/)

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### 38002-01/81 Gandhi, Linnea
Go to the Canvas course site and complete the online survey and the required readings.

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### 38105-01/81/85 Wu, George
A strict requirement for the course is that students attend the first class. If you are interested in the class and on the waitlist, you must still attend the first session.

Please click this link: [http://faculty.chicagobooth.edu/george.wu/teaching/public/38105/](http://faculty.chicagobooth.edu/george.wu/teaching/public/38105/)
### Ginzel, Linda

Read the syllabus and be sure that you understand the course requirements.

Purchase the following required textbooks:

To prepare for our first class, read Part I: “The Problem” and Part II: “The Method” (pp. 1-94) in Fisher, Ury and Patton’s book: Getting To Yes.

Also, read the 2013 article by Booth’s Harry Davis and Robin Hogarth, titled: "Rethinking management education: A view from Chicago." The framework it presents will help to set the context for the course and our introduction to action and insight skills.

Two additional readings are related to action and insight skills and can be read either before or after our first class meeting. “When talk substitutes for action” by Pfeffer and Sutton and “Chapter 12: Are you an expert?” from the course text Negotiating Rationally by Bazerman and Neale.

### Chu, Johan

If you are planning on adding this course, you must attend all class sessions.

### Xin, Linwei

1) Purchase “The Goal.”
2) Read “The Goal” through page 62.
3) Access to Canvas site for the course and review the materials for Session 1.
4) Read the article “Deep Change” and the caselet “Varsity Subs” (Canvas).
5) If needed, read the “Basic Concepts in Probability” document (Canvas).

### Ryan, Christopher

From the Canvas course site, read the syllabus and follow the instructions for the required readings. If you have an issue accessing the Canvas site, please send an email to: chris.ryan@chicagobooth.edu.

### Smetanina, Ekaterina

Go to the Canvas course site and complete the “Homework 0” assignment, before the first class meeting.
42001-01/81  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. ***