

FINA110

Fundamentals of Business Finance

Fall 2002

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Office hours: by appointment

Course Description

This course is an introduction to finance with an emphasis on business (or corporate) finance. The focus is on the Discount Cash Flow (DCF) valuation. We will use the method to evaluate assets like stocks, bonds, and investment projects. We also discuss the tradeoff between risk and return and cost of capital.

Reading Materials

- Textbook: Essentials of Corporate Finance (by Ross, Westerfield, and Jordan, 3rd edition)
- Course Notes: please download the notes at the web site:
<http://teaching.ust.hk/~fina110/>

Workload

- Textbook and course notes: these are necessary readings.
- Problem sets: You will have a few problem sets, but you do not need to hand in your solutions. It would be quite rewarding to independently working on the problem sets and make sure that you really understand them after checking the solutions to them.
- Examination: one mid-term and one *cumulative* final (the final will focus on the second part of the course, i.e., after the mid-term). Many of the examination questions are similar to or maybe the same as, the questions in your problem sets and the questions talked or raised in class.

Demonstrator arrangement

The demonstrator of this course is Mr Victor Yip. You are encouraged to make appointments with him to discuss problems encountered in the class or during revision. His e-mail address is victor@ust.hk, phone # is 2358-7674 and office room # is 3392.

Grading

45% mid-term exam, 50% final exam and 5% discretion based on my impression on you, such as the questions you raised in class and through e-mails, etc.

Communication

There are a few channels you can raise your questions and concerns to us.

- Classroom (you are encouraged to raise questions during class time)
- Come to our offices during our office hours
- Call or e-mail us

Class Schedule

Week	Month	Date	Content	Assignment	
				Reading	Problem Set
1	Sept.	3, 5	Introduction	Ch. 1	
2		10, 12	Financial Statements, Taxes and Cash Flow	Ch. 2	
3		17			
4		19	Working with Financial Statements	Ch. 3	Set #1
		24			
		26	Time Value of Money	Ch. 4	
5	Oct.	1	National Day		
		3	<i>Discounted Cash Flow Valuation</i>	Ch. 5	Set #2
6		8			
		10	Interest Rates and Bond Valuation	Ch. 6	
7		15			
		17	Equity Markets and Stock Valuation	Ch. 7	Set #3
8		22			
		24	Review Session		
9		29	Midterm Examination (7:00 – 9:00 pm)		
			31	Net Present Value	Ch. 8
10	Nov.	5,7	Making Capital Investment Decisions	Ch. 9	Set #4
11		12,14	Some Lessons From Capital Market History	Ch. 10	
12		19,21	Risk and Return	Ch. 11	Set #5
13		26,28	Cost of Capital	Ch. 12	Set #6
14	Dec.	3			
		5	Final Review		
		Xxx	Final Examination		