

**Hong Kong University of Science and Technology
School of Business and Management**

**FINA 110: Fundamentals of Business Finance
Fall 2003**

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Office Hours: Friday 10:30 – 12:00 am; Class Time: L1: (Mon & Wed) 17:00 – 18:20

Hours: 14:00 - 16:00 pm.

L2: (Tues & Thurs) 12:00 –13:20

or 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, 4th edition, McGraw Hill)
- Course Notes: please download the notes at the web site:
<http://teaching.ust.hk/~final10/>

Workload

- Textbook and course notes: these are necessary readings.
- Problem sets: There are five problem sets and you need to hand in your solutions for any three of them. If you turn in more than three problem sets, only the best three will be counted. It would be quite rewarding to independently work on the problem sets and make sure that you really understand them after checking the solutions to them.
- Examination: one midterm and a *cumulative* final (the final will focus on the second part of the course, i.e., after the midterm exam.). Many of the examination questions are similar to or maybe the same as, the questions in your problem sets and the questions discussed in class.

Teaching assistant

The teaching assistant of this course is Mr. Sam LIANG. You are encouraged to make appointments with him to discuss problems encountered in the class or during revision. His e-mail address is sxliang@ust.hk and office room # is Room 4381.

Grading

15% problem sets, 30% midterm 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.

(TENTATIVE) CLASS SCHEDULE

Week	Date	Content	Assignment	
			Reading	Problem Set
1	Sept 1-7	Introduction	Ch. 1	
2	Sept 8-14	Time Value of Money	Ch. 4	
3	Sept 15-21	Discounted Cash Flow Valuation	Ch. 5	
4	Sept 22-28	Interest Rates and Bond Valuation	Ch. 6	Set #1
5	Sept 29-Oct 5	Equity Markets and Stock Valuation (I) <i>National Day (Oct 1)</i>	Ch. 7	
6	Oct 6-12	Equity Markets and Stock Valuation (II) <u>Review session</u>	Ch. 7	
7	Oct 13-19	Financial statements, cash flow and taxes <i>Midterm Exam (TBA)</i>	Ch.2	Set #2
8	Oct 20-26	Working with Financial Statements	Ch.3	Set #3
9	Oct 27- Nov 2	Net Present Value	Ch.8	
10	Nov 3-9	Making Capital Investment Decisions	Ch. 9	
11	Nov 10-16	Some Lessons From Capital Market History	Ch. 10	
12	Nov 17-23	Risk and Return (I)	Ch. 11	
13	Nov 24-30	Risk and Return (II)	Ch. 11	Set #4
14	Dec 1- 7	Cost of Capital + Final Review	Ch. 12	
	<i>Dec 11-20 (TBA)</i>	<i>Final Examination</i>		Set #5

TBA= to be announced