

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

FINA 110: Fundamentals of Business Finance

Fall 2008

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Mon 14:00-15:30 & Wed 15:00-16:30

Course website LMES: <http://lmes2.ust.hk>

Lectures: L1: Mon 09:00-10:20 and Wed 10:30-11:50, LTD
L2: Mon 12:00-13:20 and Wed 13:30-14:50, LTC

Course Description

This is an introductory finance course which aims to provide students with a good understanding of the basic concepts and analytical techniques of asset valuation by using the Law of One Price as a unifying principle in valuation. Students will also learn about some important tools including time value of money, investment decision rules and the risk and return trade-off. These techniques will be applied to corporate investment decisions such as project analysis and securities valuation. Finally, this principle is applied in studying long term corporate financing decisions including cost of capital, capital structure, and dividend policy.

Course Materials

1. Required Textbook: *Corporate Finance* by Berk and DeMarzo. Pearson International Edition, 2007. This book is **required** of all students since it will be used extensively throughout the course.
Note: This textbook contains information about U.S. financial markets, institutions and corporate finance practices. These will not be covered in examinations.
2. My Finance Lab (MFL) Access Code: Each student is **required** to have an individual Access Code to register for My Finance Lab, a web-based homework and tutorial system accompanied the textbook. Access Code Cards may either be purchased:
i) bundled with the textbook, or ii) separately at a special discount price by showing a used copy of the required textbook at the campus store.
3. Financial calculator: recommended models – HP 10B/ TI BA II Plus
Financial calculators have built-in functions that save time in solving problems, and their use is permitted in examinations. We will use calculators in lectures. It is strongly recommended that you buy a basic financial calculator and become

proficient in using its time value of money and statistical functions. There will be a workshop on the use of financial calculators offered by the Hong Kong distributor for Texas Instruments calculators at the beginning of the semester. In addition to the user manual, Calculator Guide for different models is also available on course web site.

4. Course website: <http://lmes2.ust.hk>
You should visit the website regularly because a lot of important information will be available on the course website including Announcements, Syllabus, Lecture Notes (under Course Content), and Gradebook. Lecture notes are posted at least two days prior to classes.
5. Other relevant websites:
www.finance.yahoo.com.hk (current market information and historical price data)
www.financeasia.com (current news and information on financial services industry)
www.hkex.com.hk (Hong Kong Exchanges and Clearing Ltd.)
www.sfc.hk (Hong Kong Securities and Futures Commission)

Grading

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|-----------------------------------|------|
| MFL Assignments (best 7 out of 9) | 21% |
| Mid-term examination | 30% |
| Final comprehensive examination | 49% |
| Total | 100% |

My Finance Lab (MFL) Assignments

- My Finance Lab (MFL) contains a number of tutorial tools and learning aids that give you hands-on guidance with a hint and partial credit system when working on the end-of-the-chapter problems. While the problems are identical in structure to the textbook problems, their numerical parameters will be different to allow for individual practices and assessment.
- There are two important features in MFL: STUDY PLAN and HOMEWORK, which you should utilize extensively for this course.
- Exercises in STUDY PLAN are **non-graded**. MFL provides step-by-step instruction, input-specific feedback, and hints, and may link to spreadsheets, sample problems, or the exact spot in the eText that addresses the learning objective of the problem.
- Therefore, we will NOT post the solutions to end-of-chapter problems because you will get detailed solutions in STUDY PLAN during your OWN practices.
- Secondly, you are strongly advised to take advantage of the STUDY PLAN by practicing exercises for each chapter before attempting the **graded** assignments in HOMEWORK. The practices not only will significantly improve your understanding of the lecture materials, but will also significantly improve your results in the graded assignments.
- There will be 9 MFL assignments, each one pertaining to specific chapters in textbook. I will drop your weakest two assignments and compute your assignments score based on your best 7 assignments.
- Each assignment consists of five end-of-chapter questions. You are allowed only ONE attempt to have your assignment graded before each specified deadline. However, you can submit each question separately for grading and in non-specific order.

- You may use lecture notes, textbook, and other references when working on the assignments. However, this is an individual assessment and you must work on the problems by yourself without assistance from any other people. The TA and I will not answer questions regarding the assigned problems before the assignments are due.
- Further instructions on registering your personal MFL account and logging into the system to do the practices and assignments are available in the Supplement (under Course Content) on course website.

Examinations

- There will be a mid-term and a final examination in this course. The mid-term exam is 2 hours long while the final exam is 2.5 hours long. The final exam is comprehensive with more emphasis on topics covered after the mid-term exam.
- The format for examinations will be multiple choice. Questions are designed to test your understanding of basic finance concepts and principles and to test your ability to solve numerical problems using these concepts and principles.
- The examinations are closed book. A basic formula sheet will be provided in the exam and it will be posted on course website beforehand so you know exactly what formulas are supplied. Financial calculators are allowed but programmable calculators or calculators with text display functions are NOT allowed.
- There will be NO make up for the mid-term examination. In the case if you miss the mid-term examination due to extenuating circumstances beyond your control, the final exam marks will be treated as BOTH the mid-term and final examination marks. A student who misses the mid-term exam without a valid excuse will receive “zero” mark for the mid-term exam.

Class Attendance and Participation

You are strongly recommended to regularly attend the lectures. Skipping classes will definitely hurt your performance because the homework and exam questions are heavily based on materials covered in class. You cannot count on knowing everything that happened in a class from a classmate's notes and the lecture notes posted on the course website.

Moreover, class participation is important for your learning experience and highly encouraged. It helps you to think *actively* rather than *passively*, keeps you involved and motivated rather than removed and disinterested. There will be short exercises given in the lectures to make the class more interactive, and the answers will only be provided in class. Therefore, please do not ask me for the answers on these exercises because then I will know you have missed classes.

Class Conduct

This is a very large class. To foster the best learning environment and help develop your professional skills, you should abide by the following codes of conduct:

Punctuality

You are expected to come to and leave the class **on time** as late arrival and early departure are rude and will be very disruptive to the class. If you need to come in late or leave early for various reasons, please do so quietly and sit in the last two reserved rows of the classroom.

Consideration

- You must turn off your cell phones before entering the classroom.
- You should not talk with other students and create disturbance in the lectures.
- NO eating or drinking is allowed in the classroom.

Academic Integrity

Academic integrity and honesty are critical values in upholding HKUST's reputation as a community of scholars and its claim to the "intellectual property" created by staff and students. As a student of HKUST, you are committed to the Academic Honor Code. Obviously, cheating will not be tolerated. If you are caught cheating during the exams, you will receive zero credit and may face further disciplinary action.

Communication

You are welcome to discuss your questions with me or the TA. We are generally available immediately after class, during office hours, or by appointment. While you may also email us the questions, some questions might not be properly answered in a few sentences and so I may not reply. Generally it will be better if you ask the question in class, or visit me and the TA during the office hours. You may also discuss questions with your classmates using Discussion on LMES.

How to succeed in FINA 110

- Attend classes
- Read assigned textbook chapter prior to each class
- Practice end-of-chapter problems using STUDY PLAN on MFL
- Spend at least 6 to 9 hours per week studying *outside* the classroom