

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

**FINA 111: Financial Management
Second Semester, 2004-2005**

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Lectures: L1: Monday and Wednesday, 2pm – 3:20pm in LTA
L2: Monday and Wednesday, 3:30pm – 4:50pm in LTA

Pre-requisites

ACCT 101 and ISMT 111. This course is required of all students in the School of Business and Management (SBM) and is available only to SBM students.

Course description

Financial Management is an introductory finance course that is focused on the financial decision making principles and techniques used by corporations. Major financial decisions include selection of investment projects and deciding how to finance those projects. Teaching methods include lectures, tutorials, in-class exercises, case analyses, and the use spreadsheet and financial calculator tools.

Course objectives

Upon completion of this course, a student should be able to explain and apply:

1. basic time value of money principles (compounding, discounting, annuities, and amortization).
2. net present value and other criteria in making investment project decisions.
3. basic stock and bond valuation models.
4. financial statement analysis and forecasting techniques.
5. basic techniques for making financial investment decisions
6. basic principles for measuring financial risk and return
7. basic methods for determining a firm's cost of funds and choosing financing alternatives

Major topics covered in the course

1. Time value of money concepts (Ch 4) and their applications involving cash flows (Ch 5), bonds (Ch 6), and stocks (Ch 7)
2. Analysis of investment projects (Ch 8 and 9)
3. Financial statement analysis (Ch 2) and financial forecasting (Ch 3)
4. Risk, return, and capital market performance (Ch 10 and 11)
5. Sources and costs of financial capital (Ch 12 and 15)

Tutorials

1. A total of 12 tutorials will be held during the semester. Each tutorial has a small number of students, providing an opportunity for you to ask questions and deepen your understanding of principles and techniques presented in the lectures.
2. There are three tutorial instructors: Gina Kao (ginakao@ust.hk), Victor Yip (victory@ust.hk), and Vivian Hu (vivianhu@ust.hk). Their office is Room 3392 (lift 17-18) and their phone number is 2358 7674.
3. Each student is to submit a 4x6 inch note card containing the student's name, student ID number, and a personal photo. These cards will be used in taking attendance in the tutorials. Students who do not submit cards will be marked absent.
4. Students in each tutorial will be formed into 5-6 person groups during the first week of class. Students are free to choose their own groups from among students registered in the same tutorial; tutorial instructors will assist in this process.
5. Students who wish to change to another tutorial may do so provided there is a student in the other tutorial willing to "change places" with the student and shift to the tutorial the student is leaving. Tutorial switches must be reported to the TAs.
6. End-of-chapter problems are emphasized in the tutorials. Four group case analyses will also be prepared and submitted in the tutorials and group will be done in most of the other tutorials. Accordingly, it is essential that you attend the tutorial for which you are registered. Doing otherwise will not only mean being marked absent, it will be detrimental to group work in the tutorials.

Required Textbook

Essentials of Corporate Finance by Ross, Westerfield and Jordan. McGraw-Hill/Irwin, fourth edition, 2004. ISBN 0-07-121507-7. 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. This information is not important to FINA 111 and will not be covered in cases and examinations. Of importance are the basic concepts and principles of finance that apply to nearly all corporations around the world.

Financial calculator

It is strongly recommended that students buy a basic financial calculator such as the TI BAII Plus or the HP 10B calculator. Financial calculators have built-in functions that save time in solving problems, and their use is permitted in examinations. The TI calculator is available at a reduced price if purchased along with the textbook.

Assessment

Four cases (done in groups)	16%
Participation	4%
First examination	40%
Second examination	<u>40%</u>
Total	100%

Course website

URL: webct.ust.hk. Information available on the course website includes

- announcements
- syllabus and outline
- class notes and spreadsheets
- solutions to textbook problems and in-class problems
- discussion forum
- cases and other information for use in tutorials
- information about your performance in the course

Cases

1. There will be four group case analyses during the semester. Each case will be distributed in advance via WebCT. Questions pertaining to each case will be handed out in the tutorials, and then each group will prepare and submit a written response to the questions in the tutorial. Groups are encouraged to discuss cases prior the tutorial.
2. The grade earned on each case will count 4% of the overall course grade. All members of a group will receive the same grade.
3. If a “free rider” problem develops, meaning one or more group members is not pulling his or her own weight, group members should first try to resolve the problem among themselves. If this does not work, then the entire group should schedule a meeting with the tutorial instructor. Grades of students not making an appropriate contribution to the group effort will be adjusted accordingly.
4. Each group member will be asked to evaluate the performance of his or her fellow group members. These peer evaluations will count toward the grade each student receives for his or her group case work.

Examinations

1. There will be two examinations, with the first occurring about halfway through the semester and the second occurring during the university’s final examination period. The second exam will not be cumulative per se, but keep in mind that some material presented in the first part of the course will be relevant to the second part of the course.
2. There will be no makeup examination for a student who misses the first exam. For a student who has a valid excuse for missing the first exam, the grade earned on the second exam will be applied to the missing first exam. A student who misses the first exam without a valid excuse will receive a grade of “zero” on the exam.
3. 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.
4. Examinations are closed book, meaning no notes, books or other printed matter may be used.

5. Non-programmable electronic hand calculators including financial calculators may be used in quizzes and examinations, but laptop computers, mobile phones and other electronic devices may not be used.

Classroom policies

1. You are expected to come to class **on time**. Should you happen to arrive late, please sit in one of the last three rows so as to not disrupt the class.
2. If you cannot attend the lecture for which you are registered (L1 or L2), it is OK to attend the other lecture. But please keep in mind that if seating availability becomes a problem, registered students will receive first priority.
3. Please turn off your pagers and cell phones so as to not disturb others in the class.
4. Conversing with one another during class is annoying, especially for students who are trying to concentrate on the lecture. Students who persist in talking in class will be asked to leave.

General information

1. PowerPoint slides and Excel spreadsheets presented in class may be downloaded from the class WebCT site before each class and printed in hard-copy form for use in class. It is suggested that when printing PowerPoint slides, choose “print handouts” from the print menu and then select the “six-slides-per-page” and “grayscale” options.
2. How to succeed in FINA 111
 - attend lectures and tutorials
 - read assigned textbook chapters
 - do assigned end-of-chapter problems
 - review the self-test questions and answers at the end of each chapter
 - spend 6 to 9 hours per week studying **outside** the classroom
3. Students are encouraged to ask questions of their instructors. This can be done by e-mail, WebCT discussion board, telephone, or in person.

Some interesting web sites relevant to this course

www.hkex.com.hk (Hong Kong Exchange—cash and derivative securities trading)
www.tradingcharts.com (historical price data presented graphically)
finance.yahoo.com (current market information, historical price data)
finance.yahoo.com.hk (same as finance.yahoo.com, except it's in Cantonese)
www.financeasia.com (site contains current news and other information about the financial services industry)