

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

FINA 111: Financial Management
Second Semester, 2005-2006

Instructors:	Prof Scott Beighley	Prof Lynn Pi
Office:	Room 2343 (Lift 3)	Room 2456 (Lift 25-26)
Phone:	2358 7689	23587687
E-mail:	scottb@ust.hk	lynnpi@ust.hk
Office hours:	By appointment	By appointment

Lectures: L1: Monday and Wednesday, 2pm – 3:20pm in LTB
L2: Monday and Wednesday, 3:30pm – 4:50pm in LTB
L3: Tuesday and Thursday, 10:30am – 11:50am in LTB

Course description

Financial Management is an introductory finance course that is focused on the financial decision making principles and methods used by corporations. Major financial decisions include capital investment decisions, financing decisions, capital structure decisions dividend policy decisions, and working capital decisions. Teaching methods include lectures, tutorials, in-class exercises, case analyses, and the use of computer spreadsheets.

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 assessed cases and examinations. Of importance, however, are the basic concepts and principles of finance that are relevant globally.

In addition, three copies of *Corporate Finance* by Ross, Westerfield and Jaffee will be available on the UST library's two-hour reserve. This is a more advanced textbook that is similar in structure to the *Essentials* text used in FINA 111, but one that goes into considerably more depth. Hence, it is a useful resource for those who want to learn more about financial management. Material in the *Corporate Finance* text will **not** be included in the FINA 111 exams or cases.

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. Formal instruction in using calculators will not be given in lecture or tutorial classes. In addition to the user manual, information about their use can be found on WebCT. Calculators may be purchased from the campus bookstore and the UST Finance Students' Society as well as elsewhere.

Course objectives, major topics and text references

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

1. Basic financial management concepts (Ch 1)
2. Financial statement analysis (Ch 2 and 3)
3. Time value of money concepts (Ch 4) and their applications involving analysis of cash flows (Ch 5), analysis of capital investment projects (Ch 8 and 9), bond valuation (Ch 6), and stock valuation (Ch 7)
4. Capital market performance (Ch 10) and financial risk and return (Ch 11)
5. Costs of financial capital (Ch 12)
6. Capital structure (Ch 13), dividend policy (Ch 14)
7. Short-term financial planning (Ch 16) and working capital management (Ch 17)

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 material presented in the lectures.
2. There are three tutorial instructors: Gina Kao (ginakao@ust.hk), Vivian Hu (vivianhu@ust.hk) and Stella Lien (fnstella@ust.hk). Their office is Room 3392 (lifts 17-18) and their phone number is 2358 7674.
3. Each student is to submit a 4x6 inch note card containing his or her name, student ID number, and a personal photo. These cards will be used in taking attendance in those tutorials in which group cases are assessed.
4. Students in each tutorial will be formed into 5-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 they do so officially through ARRO.
6. Five group case analyses will be prepared and submitted in the tutorials and group work will be done in most of the other tutorials. Accordingly, it is essential that you attend the tutorial for which you are registered.

Assessment

Three cases (done in groups)	15%
Case participation	5%
First examination	40%
Second examination	<u>40%</u>
Total	100%

Cases

1. There will be four assessed 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 have approximately thirty-five minutes to prepare a written response to these questions that will be assessed. Groups are encouraged to discuss cases prior to the tutorials.

2. The lowest grade earned on the four cases will be dropped; the grades on the remaining three cases will each count 5% of the overall course grade. All members of a group will receive the same grade on a given case. If a student does not attend a tutorial in which a case analysis is submitted for assessment, that student will receive a grade of zero for the case. There will be no make-ups for missed cases.
3. At the end of the semester, each group member will be asked to evaluate the performance of his or her fellow group members in preparing the assessed cases. These peer evaluations will count towards the grade each student receives for case participation. Case participation counts for 5% of the overall course grade.
4. 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 their tutorial instructor. Grades of students not making an appropriate contribution to the group effort will be adjusted accordingly.

Examinations

1. There will be two examinations, with the first occurring about halfway through the semester and the second taking place during the university’s final examination period. The second exam will not be cumulative, but keep in mind that some material presented in the first part of the course is relevant to the second part of the course.
2. Examinations are closed book, meaning no notes, books or other printed matter may be used.
3. 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, a grade will be given for the missing exam that is based on the grade earned on the second exam. A student who misses the first exam without a valid excuse will receive a grade of “zero” on the exam.
4. A student who misses the second examination, which will be held during the university’s final examination period, and who wishes to have a make-up examination rather than a grade of zero, will be treated in accord with standard university policy pertaining to absence from the final examination.
5. 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.
- 6 Non-programmable electronic hand calculators including financial calculators may be used in 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 the rear of the lecture theater so as to not disrupt the lecture.

2. If you cannot attend the lecture for which you are registered (L1, L2 or L3), it is ok to attend another 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. Talking with other students 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. For some of the slides, additional material may be found under slide “notes.”
2. How to succeed in FINA 111
 - attend lectures and tutorials
 - read assigned textbook chapters
 - do recommended 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.

Course website

- URL: webct.ust.hk. Information available on the course website includes
- course announcements, syllabus and outline
 - class notes and spreadsheets
 - solutions to textbook problems and textbook errata
 - discussion forum
 - cases and other information for use in tutorials
 - additional resources relevant to course topics
 - information about your performance in the course

Some interesting websites relevant to this course

www.mhhe.com/rwj (textbook publisher's website--much useful information here.

E.g. you can create practice tests using software found in the “self-study software” section in the “student edition” area of the “Essentials” site.)

www.duke.edu/~charvey/Classes/wpg/glossary.htm (8,000+ finance terms)

en.wikipedia.org/wiki/Category:Finance (another finance glossary)

www.hkex.com.hk (Hong Kong Exchange—cash and derivative securities trading)

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)