

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

Corporate Finance  
FINA512– Spring 2006  
Office hours: open door policy / by appointment

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## SYLLABUS

### OVERVIEW

Corporate Finance is an introductory finance course that is required of all Msc and MBA students. It is, therefore, designed to cover those areas of finance that are important to all managers whether they specialize in finance or not. At the end of this course **you will be able to value a firm**. In order to reach this goal we will cover the following topics along the way (1) analyze historical uses of funds, (2) project funding needs and Free Cash Flow, (3) choose among alternative sources of external funding for company operations, (4) identify costs of funds and value securities, and (5) evaluate investment opportunities.

The course will consist of approximately one-half lecture and one-half in-class case discussions (for which students should prepare carefully). Many real world mini-cases and examples will also be used to help students understand the concepts. The aim of the course is to provide students with an understanding both of sound theoretical principles of finance and of the practical environment in which financial decisions are made.

### READING

1. Readings on substantive matters are available in Higgins, *Analysis for Financial Management*, 6<sup>th</sup> edition. The Higgins readings do not cover all the material we cover in class and also include some additional topics and background material not covered in class. **They should be regarded as a supplement to class attendance and case preparation.**
2. Morris and Siegel, *The Wall Street Journal Guide to Understanding Money and Investing*. **This is not a required text.** This text should be considered as a supplement for those students who are not as familiar with the language of finance.
3. Both books are available at the HKUST Bookstore. The first book is also on reserve at the Business Library. Teaching notes will be handed out in class and posted on the course web page.

### GRADES

Case assignments (Group assignments)	60%
Final Exam (is a case!)	40%

Each case should be carefully prepared by every student to benefit understanding and class discussions. Each group should turn in a single case write-up except for those cases marked Do Not Turn In (DNTI). Every member of the group will receive the same case grade, adjusted by the assessed contribution by other group members.

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No.	Topic/Case	Textbook Reading
1	Introduction	Higgins, Ch.1
2	Basic NPV Rule and A Simple Application	Higgins, Ch. 7 (Part 1)
3	Free Cash Flow Projections <b>Case: Clarkson Lumber Company</b>	Higgins, Ch.2-4
4	Optimal Capital Structure <b>Case: American Home Products</b>	Higgins, Ch. 6
5	Cost of Capital and Capital Budgeting <b>Case: Quaker Oats (A) (DNTI)</b>	Higgins, Ch. 8
6	Total Valuation <b>Case: Clarkson Lumber - Part 3</b>	Higgins, Ch. 9