

Fundamentals of Business Finance
FINA 110 Spring 2010
Hong Kong University of Science and Technology (HKUST)

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Lecture Room: LTD

Office Hours: Tuesday 10:30am-12:00pm or by Appointments

Overview:

This is the first course in finance for everyone at the university. It is the introduction of corporate finance. It is also the core foundation for students who would like to pursue further study in the four areas of finance which are **Corporate Finance, Investments, Financial Institutions, and International Finance**. Students will learn and gain a very broad range of fundamental concepts and techniques in finance that will help them to understand and analyze business core issues. Student will be able to apply financial knowledge to solve business problems and defend reasoned solutions to these problems. The detailed contents of this course are outlined in the later section of this syllabus.

Textbook:

Essentials of Corporate Finance
Ross, Westerfield and Jordan
McGraw Hill International Edition, 2008

Corporate Cases:

I will use various corporate cases and/or events in the courses. Case studies will help students apply learned financial principles and techniques to analyze real business issues and financial problems. You are required to write a case report for Pacific Coffee Corporation Case.

I will also use corporate events and issues around the world extracted from Bloomberg, Reuters, and other public sources to illustrate how to apply principles, concepts, and techniques in finance to analyze various corporate financial statements, events and investments.

Guest Speakers:

I might invite professionals from investment banks and corporations to give a brief talk or presentation in class. Actual schedules will be subject to their availability.

Policy and Procedures:

1. I will not give makeup midterm or final exam because it is impossible to make an equivalent midterm or final exam without placing the student at either an advantage or disadvantage.

2. If you have a legitimate excuse to miss the midterm, your final exam will weight 70% in your final grade. Otherwise, you will receive zero for your midterm if you do not take it. I accept the following legitimate excuses with supporting documentation.
 - a. Due to illness
 - b. Death in familyYou must inform me *before* the exam to count as an excused absence. If you cannot reach me, leave a message on my cell phone or email me. You will receive zero for the midterm if you notify me after the exam start. **Failure to follow the guidelines will mean that you forfeit the excused absence option.**
3. I understand how frustrating it is when you try to talk to or email me and cannot reach me in a timely fashion. Therefore, I will response to your phone calls or email request **within 48 hours**. But, please do NOT call me after 9:30pm.
4. If you believe that you should receive additional credit after I return your midterm papers, please provide a written explanation with your answer from your exam paper. I will take time to review them. You must submit your request to me **within one week** after I return your exam. Thanks for your understanding.
5. It is **very important** for you to know that I base my exams on what I teach in class. You shall master the materials that I teach in class and be able to apply them.
6. I will upload my presentation slides before each lecture. But, please note that I will add and make last minute modification for most recent corporate events and news from public sources. Please understand that it is better for you to review the slides after my explanation in class.
7. Do come to each class. I will explain the concepts and the materials in detail, and answer questions in class. Please understand that my presentation slides are not as detail as my explanation in class.

Responsibility:

As a teacher, I will

- 1) Prepare well for each class with thoughtful and organized presentation.
- 2) Consider that it is not always your fault if you do not understand the material.
- 3) Recognize that I may grade a question incorrectly and not get defensive when you politely question my grading.
- 4) Create a mutually respectful and friendly environment in and outside classroom.
- 5) Encourage questions in class and outside classroom.
- 6) Welcome feedback from students about my presentation and my teaching.

As a student, you will

- 1) Come prepared to every class by reviewing previous notes and doing assignments, complete all work on time.
- 2) Consider that it is not always my fault if you do not understand the material.
Please let me know how I can help you learn better.
- 3) Treat others and me with respect. Please turn off your cell phone and other electronic devices when the class is still in process.

- 4) Ask questions when you do not understand. Asking questions is a sign of maturity, not ignorance. Please understand that there is no stupid question.
- 5) Understand that you will learn a lot more by participating discussion in class.
- 6) Do not feel offensive when I grade your exam and homework. Please politely inform me if I incorrectly grade your work.

Contents of the Course:

1. Overview of Financial Management	Chapter 1
2. Financial Statement Analysis, Cash flow and Taxes	Chapter 2,3
3. Time Value of Money and Discounted Cash Flows	Chapter 4,5
4. Valuation of Securities (Bonds and Stocks)	Chapter 6,7
5. Capital Budgeting and Investment Decisions	Chapter 8,9
6. Capital Market, Market Efficiency, and Risk and Returns	Chapter 10
7. Systematic risk, Unsystematic risk, Diversification	Chapter 11
8. Cost of Capital and Capital Structure	Chapter 12
9. Leverage and Capital Structure	Chapter 13
10. Dividend and Dividend policy	Chapter 14
11. Raising Capital	Chapter 15
12. Short-term Financial Planning	Chapter 16

Objectives of the course:

After the course, students should be able to

- o Grasp the fundamental concepts of business finance
- o Understand balance sheet equation
- o Know how to work with cash flow and financial statements
- o Can conduct financial statement analysis
- o Understand Time Value of Money
- o Know how to value future cash flows
- o Be able to value bonds and stocks with basic concepts in finance
- o Make capital investment decision based on Projected Cash Flow, NPV and IRR
- o Understand market efficiency, systematic risk, unsystematic risk and diversified portfolio.
- o Understand Risk and Return
- o Know how to determine a firm's cost of capital (WACC) and capital structure
- o Understand basic knowledge in dividends and dividend policy
- o Have knowledge in short-term and long-term financing
- o Grasp fundamental concepts and techniques in capital budgeting, financing, and management.

Grading:

1. Assignments#	20%
2. Case Report*	15%
2. Midterm	20%
3. Final Exam	45%

#Note: You need to form a group of 4-5 students and complete your assignment with your group members. Your effort in completing the assignment on time will earn 70% of the grade and the accurate answers will count 30%.

*You need work with your group members to write one case report that will be due at the end of the course. The case report will require you to apply all materials taught in the course. I will add bonus points for the case report with quality. Writing a report with quality will help you to master the materials taught in the course and to prepare the final exam well.

Final Grade:

I believe that every student at Hong Kong University of Science and Technology is smart. Therefore, your final grade and performance in your exams will reflect how much effort you make in this course. Coming to classes and preparing well for the exams will significantly help your performance.

Useful websites:

Bloomberg:	www.bloomberg.com
The Wall Street Journal:	www.marketwatch.com
Yahoo Finance:	http://finance.yahoo.com/
Reuters:	http://www.reuters.com/
IMF:	http://www.imf.org/external/index.htm
The World Bank:	http://www.worldbank.org/
HKMA:	http://www.info.gov.hk/hkma/
SFC:	http://www.sfc.hk/sfc/html/EN/

I am looking forward to be a learning partner with you in this spring. Have a great semester!