

Advanced Financial Management

FINA 321 Spring 2010

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Course objectives

This course is intended to provide students with the theoretical as well as practical tools necessary for the understanding of corporate financial management. We start with corporate valuation and proceed to apply it to a variety of corporate financial strategies and decision makings. We will study how theoretical concepts are utilized to solve actual problems faced by corporate managers.

Concepts to be covered in this course include:

- Capital budgeting
- Valuations: Discounted cash flow (DCF) method, Valuation by multiples, Adjusted Present Value (APV), Economic Value Added (EVA), Real Options
- Cost of Capital
- Capital structure
- Dividend policy
- M&A

Grade

◆ Exam 70% (Mid term 30% and Final exam 40% respectively), Assignment 10%, Group project 15%, and Class participation 5%

1. Exam

- We have two exams, mid-term and final exam.
- Mid-term exam will be conducted on **Wednesday March 17 from 7:00pm to 9:00pm**. The venue will be announced at the beginning of the course.
- Final exam will be given during spring semester examination period, which is from May 20 to May 31.
- Exams will be conducted in closed-book, closed-note format, and they are composed of both multiple choices and short answer questions

2. Assignments

- There will be 4 assignments.
- Assignments are either end-of-chapter questions or short cases. Assignments will

help students understand the course material better and will provide a solid preparation for the exams.

- All the assignments ought be done individually, and only a hard copy of the assignment handed in at the beginning of class on the due dates will be accepted. That means, neither electronic nor late submission will be accepted. The first page of the assignment is a cover page with student ID number and name clearly written on it. All pages have to be stapled together with clear page numbering. Solutions for the questions will be uploaded on course webpage.
- Students who try every question with reasonable effort will get full marks. But those who miss part of the questions or do not put enough effort on questions will get partial marks. Failure to turn in assignment will result in zero point for corresponding assignment

3. Group project

- At the beginning of the course, students are required to form a group, which consists of not more than 5 members. Please talk to your classmates and form the groups during the first week of the course. If you are unable to join any group by the end of the first week, send an e-mail to TA to help you out.
- Most recent real world cases will be selected and analyzed in this project. These cases are about company's recent undertaking of major corporate financial decisions, which include capital budgeting, M&A, financing decisions to name a few. The case should be "recent" in the sense that the outcome of these undertaking is not fully realized yet.
- Criteria for marks are composed of the selection of topic (3 points), the analysis (4 points), drawing the implications (4 points) and presentation (4 points). Mark will be given to the group, not individually.
- Each group should be ready to present your case solution in class in a 15-minute presentation at the final week of the course. Please make sure that your group sits together during the presentation.
- Hard copy of the case, which is about 15 slides of powerpoint or equivalent length, ought to be turned in at the end of the course.

4. Participation and class attendance

- **Please do not hesitate to ask questions in class if topics that we discuss in the class do not make sense to you or you need more clarification and detailed explanation. It is your right!!** By asking questions, you force me to explain the concepts in an alternative way, which may be a better way for you and many others to understand the material.
- Class attendance is "must", not a choice in that learning and grasping the concepts to be covered in this course by yourself is very difficult and time consuming, and in many occasions it leads to the complete wrong understanding. Thus, attending classes and asking questions will be crucial for you to learn and succeed in this course.

- Unless it is very simple and straightforward, it is not recommendable to ask and answer questions through e-mail. Take full advantage of classes and tutorial sessions for your better understanding the course. If you have more questions to ask, then you can make an appointment.
 - Occasional quizzes will be given to help your understanding of the course. Quizzes are not graded, but they will be discussed in the class and solutions will be uploaded in the course webpage. If a student does not take a quiz, it will be counted as missing the class.
5. Criteria for failure of the course
- Fail to take exam
 - Total marks less than 30%

Textbook

Jonathn Berk and Peter DeMarzo, "Corporate Finance", Pearson International Edition

References

- Partial list of books written by A. Damodaran
 - Dark side of valuation
 - Damodaran on Valuation: Security Analysis for Investment and Corporate Finance
 - Investment Valuation: Tools and Techniques for Determining the Value of Any Asset
- Partial list of other references
 - "Valuation: Measuring and Managing the Value of Companies", Fourth Edition by McKinsey & Company Inc., Tim Koller, Marc Goedhart, David Wessels
 - "Valuation: Analyzing global investment opportunities" by Sheridan Titman, John Martin, and V. Ravi Anshuman 2007 Pearson.
 - "Corporate Finance: A Valuation Approach" by Simon Benninga and Oded Sarig
 - "Financial Markets & Corporate Strategy " by Mark Grinblatt and Sheridan Titman
 - "Fundamentals of Corporate Finance", 8th Edition, Stephen A. Ross, Randolph W. Westerfield, and Bradford D. Jordan

Prerequisites

Students who have already taken Financial Management are eligible for this course. Basic knowledge on statistics, calculus, financial accounting and MS EXCEL are required. Calculator is needed for exams.

Class conduct

The key principle of class conduct is to be **considerate to others**.

Be on time. Students are required to have instructor's permission to come late or leave in the middle of the class. Phones, notebooks and other communication devices must be turned off during the class. Questions and discussions are strongly encouraged, but any private talk during the lecture will be warned. Food is not allowed in class except drinks.

TA Assistance

Course TA: Victor Ip (victory@ust.hk)

- Venue and time of tutorial sessions will be announced at the beginning of the course.

Course Schedule

Week	Content	Due dates
1	Introduction of the course. (Ch. 1) Review of financial statement analysis (Ch. 2) Concept of free cash flow (Notes)	
2	Capital budgeting (Ch. 3, 6, 7 and notes)	
3	Capital budgeting (Ch. 3, 6, 7 and notes)-Continued	
4	Cost of capital and Introduction of capital structure (Ch. 12 for review of capital asset pricing model, and Ch. 14 for introduction of capital structure)	1 st assignment due on Monday Feb. 22.
5	Issues on capital structure (Ch. 15, 16 and notes)	
6	Issues on capital structure (Ch. 15, 16 and notes)- continued	
7	Dividend policy (Ch. 17)	- 2 nd assignment due on Monday March 15. - Mid- term exam Wednesday March 17 from 7:00pm to 9:00pm.
8	Valuations (Ch. 18, 19 and notes)	
9	Valuations (Ch. 18, 19 and notes)- continued	Class on Monday Mar. 29 is replaced by mid- term exam.
10	Real option (Ch. 22)	3 rd assignment due on Monday April 12.
11	Initial public offering (Ch. 23 and notes)	

12	Merger and Acquisition I (Ch. 28, notes and cases)	
13	Merger and Acquisition II (Ch. 28, notes and cases)	
14	Presentation of group project	4 th assignment due on Monday May 10.

◆ Class schedule might be subject to change