

Hong Kong University of Science & Technology
Treasury & Cash Management (FINA 691G)
MBA/MSc

Instructor: Veronique Lafon-Vinai, Adjunct Associate Professor, CTP
(Certified Treasury Professional)

Venue: 15/F, HK Club Bldg, 3 Charter Rd, Central
Class Duration/Dates: 14-Apr-2010 to 02-Jun-2010
Add/Drop Deadline: 19-Apr-2010

Course Description:

This course is designed to provide students with the basic knowledge and theory required to understand the essential principles and functional practices of corporate cash and treasury management.

This course covers how to make decisions about cash and liquidity positions, credit extension and collections, payables, bank relations, short-term investing and borrowing, and developing near-term financial plans. Each of those issues is addressed with analytical routines, valuation analysis, and description and evaluation of current business practices. Financial spreadsheet modeling provides hands-on, usable skills.

The class will also provide partial preparation for students wishing to take the Certified Treasury Professional (CTP) exam (for more information on the CTP consult <http://www.afponline.org>). Students should recognize that substantial additional effort will be required on their part to be successful on the CTP exam.

Course Objectives:

This course seeks to:

- a. Introduce the student to the area of short-term financial management/treasury management, while integrating global and multicultural perspectives.
- b. Assist the student in developing a conceptual framework upon which to base decisions in treasury and working capital management.
- c. Assist the student in achieving an advanced knowledge of techniques for analyzing financial data, for purposes of managerial decision-making

As a result of the activities and study in this course, the student should be able to:

- a. Understand the goals and functions of treasury and working capital management.
- b. Apply the time value of money and the implications thereof to short-term financial decisions.
- c. Analyze, project and control cash flow.
- d. Utilize the tools of short-term finance in analyzing one or more extended case studies to provide solutions for identified problems.

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In the current context of severe financial crisis, we will spend time in class discussing current events.

The approach will be very practical, drawn from real life experience as well as exposure to market practice.

Students are expected to participate very actively in the course. *Students who dislike participation and debate are strongly advised not to take this elective*

Course Outline (subject to change):

1. Overview of Short-Term Finance and Treasury Management, including introduction to accrual versus cash basis statements, liquidity and solvency analysis, and valuation
2. Cash Collection, Concentration and Disbursement
3. Payment System and Financial Institution Relationship Management
4. Accounts Receivable Management
5. Cash Forecasting
6. Short-Term Investments and Borrowing
7. Global Cash Management
8. Financing Decisions and basics of Financial Risk Management

This outline is given as a reference only.

We will aim to actively discuss domestic Hong Kong markets as well as Asian markets during the course.

If time allows, we will endeavor to cover other subjects which might be of particular interest to students or the result of recent events.

What we will NOT cover:

- a) Fundamentals of financial markets and interest rates
- b) Equity Market
- c) Equity Derivatives
- d) Portfolio Theory & Valuations
- e) Fund Management

Reference Materials:

Textbook: There is no required textbook for this course as I have been unable to find suitable academic textbooks available.

- a) The best textbook I have found so far is Short Tern Financial Management, 3rd Edition, Zietlow/Maness but it is currently out of print; we can arrange bulk shipment from the US from the author
- b) An excellent practitioner book is the Association for Financial Professionals, Essentials of Treasury Management, 2nd edition, 2008. (This is the body of knowledge one must master in order to sit for the Certified Treasury Professional (CTP) Exam. For more information on the CTP consult <http://www.afponline.org>) Unfortunately the cost is quite high even online.

Recommended reading:

For students who are interested in furthering their understanding of the issues covered in the class, the following texts are suggested:

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- “Capital Markets and Financial Management in Banking”, Hudson, Colley & Largan, 2000. (CUHK Library reference HG4523-H827-2000)
- “Financial Risk and the Corporate Treasury – new developments in Strategy and Control” from RISK Publication

I strongly recommend that students familiarize themselves further with the financial markets by reading such market oriented newspapers as the Wall Street Journal and the Financial Times; magazines such as Business Week, The Economist, Forbes and Fortune; watching CNBC and/or CNN; and exploring the Internet for subjects discussed in class. Websites such as CFO.com, GTNews.com and AFPonline.org are good resources for treasury professionals; financeasia.com is a good general interest financial website for Asia.

Assessment:

The final grading will be determined as follows:

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| 1) 1 Market News Presentation (group) | 30% |
| 2) 3 In-Class Quizzes (individual) | 55% |
| 4) Participation in Class (individual) | 15% |

Rules of the Game

These are based on common-sense, real business life practice that you should be familiar with. **Cheating, dishonesty and plagiarism will not be tolerated at any time and may result in strict sanctions.**

1. Attendance: Just as you would for business meetings, I expect each student to attend all classes unless a valid excuse is produced (such as medical emergency for a member of the family). Similarly, as for business appointments, each student is also expected to be on time. Late arrival is disruptive and disrespectful. Repeated late arrival will result in lower rating.
2. Participation: Active participation is **required**, and will be duly noted. I expect you to join actively in class discussions and Q&A sessions following market news, presentations and guest lectures. I also expect each student to behave as you would in a business environment, showing respect for each other and generally not disrupting the class with inappropriate behavior.
3. Quizzes: **There is no final exam**. There will be three in-class quizzes. There will be no make-up quiz. Unexcused absence will result in *zero* grading for that test. Excused absence will result in the points being spread out over the remaining tests. Each quiz will last approximately 20 to 30 minutes and will cover basic concepts and themes studied in the past sessions. The idea here is to check that you have really understood the subjects covered.
4. Market News Group Presentations: Students will be formed into (up to) six groups during the first session. Students will be required to form themselves into groups. Whenever possible, ***I strongly encourage groups to be formed on a multi-cultural basis*** to broaden the overall students' experience. **How you run the groups is your concern**; it is up to you to decide the group composition and

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- to make sure each group member does his/her fair share of the work. I will not be involved in intra-group disputes.
5. Each group will choose an article from the recent business press relevant to our topics. Each group will be expected to prepare a presentation to last no more than 10 minutes, followed by a 5 minutes Q&A. The presentations will all take place on the last day of the course. Just as in a business environment, the time constraint will be strictly enforced. All members of the group will be required to be involved in the presentation, and each should have the opportunity to speak for a few minutes. Preliminary copies of the presentation (slides) should be sent to me, or handed over to me in class, for comment one week before the presentations. Just as in business life, my grading will take into account not only the content but also the presentation itself, including style, spelling, grammar, as well as oral skills, and the way you handle the Q&A session.
 6. Mobile phones and other beeping devices need to ***be turned off*** or put on silent mode. Portable computers are allowed so long as they do not lead to inappropriate behaviour and disturbance.
 7. Video recording of lectures may be arranged by the School and the Lecturer. Any other recording (audio or video) is strictly prohibited. Lectures are the copyright property of the Lecturer. Any recording can only be reproduced with the express consent of the Lecturer.
 8. Course Materials, Copyright, Questions and contact with instructor: The course materials will be posted on the University's LMES, please check the website on a regular basis for new postings. **The Lecture notes are the copyright property of the Lecturer** and are provided for the sole private use of the students. **They may not be reproduced or disseminated without the express consent of the Lecturer.** For administrative queries, please contact the Teaching Assistant or the staff at the Department of Finance Office, who will be able to assist you. For any lecture related queries, feel free to contact me directly, preferably by email.
Consultation hours: by appointment only

Contact Details for Instructor:

E-Mail: vlafon@ust.hk

Room 2445 ext 7686 (please do NOT leave voice mail)

Teaching Assistant: To be advised

Personal Telephone (for emergency ONLY): 9042-6753

Mail: address to Department of Finance at HKUST, clearly indicating course reference and instructor's name.