

Hong Kong University of Science and Technology

FINA110 Fundamentals of Business Finance
Casey Lim, PhD, CFA
Adjunct Associate Professor
Tel: 2358 8498, Email: caseylim@ust.hk
Room Number: 2429

Office Hours: TBA

Course Objectives:

At the end of this course, you should be able to understand the techniques for valuing bonds and stocks, evaluate new investment projects, appraise the various measures of risk, estimate the cost of capital, understand the simple theories of capital structure and their applications, know when dividend policy matters and understand how firms raise capital to finance their assets and new projects.

Textbook

Fundamentals of Financial Management, Brigham, Eugene F., Houston, Joel F., Thomson/Southwestern, 10th edition, ISBN 0-324-17829-8

Instructor's lecture notes will be provided for all topics listed below.

Course Contents

1. Understanding Basic Financial Statements Part I
Ch. 2
2. Introduction to Finance: agency costs, determinants of interest rates, basic structure of Hong Kong financial and banking systems.
Ch. 1, 4
3. Understanding Basic Financial Statements Part II
Ch. 3
4. Time value of money
Ch. 6
5. Bond Valuation
Ch. 7
6. Stock Valuation
Ch. 8

7. Risk and return

Ch. 5

8. Cost of Capital

Ch. 9

9. Capital Budgeting under uncertainty: NPV, IRR, Investment Decisions

Ch. 10, 11

10. Financing avenues for a firm – IPOs, equity fund raising, short-term and long-term debt, venture capital (basic concepts)

Instructor's Notes

11. Capital Structure: Simple Examples on how debt through tax deductibility of interest could increase firm value (using Hong Kong examples).

Ch. 13

12. Dividend Policy (simple ideas about dividend policy in a perfect market and imperfect market)

Ch. 14

Lecture notes, problem sets (answers to problem sets), syllabus, and lists of formulae that will be given in the mid-term and final examinations will all be uploaded on the website. The coverage for the examination includes materials that are covered during the lecture hours, applicable textbook readings, explanatory notes written on the board, lecture notes, coursework and problem sets.

Assessment

Coursework: 20%

Mid-Term: 30%

Final Examination: 50%

Even though no marks have been allocated for class participation, I hope students will participate by asking questions in class and giving comments on current issues. This will certainly make the class experience more interesting.

The examination is closed books, closed notes.

Coursework:

More details on coursework will be given in the class.