FINA111 FINANCIAL MANAGEMENT

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Phone: 2358-7668 Course web page: **http://webct.ust.hk**

I. Objective:

The primary purpose of the course is to examine institutional, conceptual and analytical aspects of financial decisions at an introductory level. As this is the first required course in the field of finance, our main focus will be on developing skills, which are necessary for conducting financial analysis and acquiring an understanding of institutional and conceptual frameworks in which financial decisions are made.

II. Topics Covered: (Details in Table II)

We will examine three main topics in this course:

a. Concepts and applications of time value of money (chapters 4 and 5) for security (bond and stocks) valuation (chapters 6 and 7);
b. Project analysis (chapters 8 and 9), objectives and techniques of financial analysis (chapter 2) and financial forecasting (chapter 3); and
c. Necessity and process of determination of risk adjusted rates for return (chapters 10,11,12 and 15).

III. Course Materials

a. We will be using "Essentials of Corporate Finance" by Ross, Westerfield, and Jordan 3th edition, 2001 Irwin McGraw-Hill. The book has several extremely helpful features listed in Table I.
b. We will be using cases from "Cases in Finance" by Jim DeMello, 2003 Irwin McGraw-Hill.
c. In addition, I will put various other materials including transparencies on **WebCT**.
    i. User name: fina111guest
    ii. Password: fina111guest
    iii. Please note that you will be using the above user name and password for the first two weeks. After that, you will be using your own CELT user name and password to log on to the class web page.

IV. Pedagogy:

I will discuss some of the topics in the assigned chapters. In addition, I intend to examine several end-of chapter problems identified as "problems in class" in Table II. The other set of problems listed under "problems in tutorial" column in Table II will be discussed in the tutorial sessions subject to time availability**. I will post all the answers to end-of-chapters problems on the WebCT.**

To derive maximum benefit we strongly recommend and urge that you study the assigned chapter(s), look at self-test problems (answers are given at the end of the chapter(s), and do the assigned end-of-chapter problems in advance of discussion in class and tutorial sessions**. As this is a three-unit course an average student is expected to spend at least 6 hours a week outside the class studying for the course.** The actual amount of time spent by you will depend on many factors — previous background, ability to deal with numbers, comfort level with somewhat abstract (at times challenging) concepts in finance. **Finally, I may adjust the course outline based on my evaluation of how the overall class is progressing.**

V. Prerequisites:

The prerequisites are ACCT 101 and ISMT 111. You are advised to become proficient in using a financial calculator (HP 10B or TI BAII Plus or any other) with time value of money and statistical functions. You can do exams and homework without a financial calculator. However, we feel that you are definitely going to be more efficient and effective if you use a financial calculator in this course. We will use TI BA II Plus for presentation in class and tutorials. This calculator is available at a reduced price if you buy it along with the textbook.

VI. Assessment — Assignments, Exams and Grading:

Items	Cases	Option	First Exam	Second Exam
Weights	20%	1	40%	40%
		2	50%	30%
		3	30%	50%

a. You have to decide your own grading option on **WebCT** no later than February 28. Once you have chosen your option, you are NOT allowed to change it anymore. The default option is option 1, which is 40 – 40, and it will apply to you if you do not make your choice on **WebCT** by the deadline.
b. There will be NO make-up exam.
c. The second exam will not be cumulative. However, ideas, formulas and techniques discussed before the first exam may be relevant for the second exam.
d. As cases are assigned as group projects, we expect and encourage you to participate fully in preparing your answers. There will be both a group evaluation by your group members and a subjective assessment of your participation by the tutors. Your final grade may be raised or lowered based on this evaluation and assessment.

VII. Tutorial Sessions—Suggested End-of-Chapter Problems and Cases:

a. There are three tutorial instructors for this course: Gina Kao (ginakao@ust.hk), Stella Lien (stellacc@ust.hk) and Victor Yip (victory@ust.hk). You can reach the instructors at 2358-7674. They all have offices in room 3392 (near lift 17 –18).
b. You are required to enroll in one of 25 tutorial sessions (approximately 50 minutes each week with about 30 students) in addition to the class, which is divided in two large sections.
c. The tutorial sessions are very critical as not only we will be helping you with the assigned end-of-chapter problems, but also engaging you in small group (5 – 6 members) format to do five case studies. We will talk more about the cases and the assigned end-of-chapter problems in the first tutorial session (February 6 or 7). Briefly, each case is worth 4% of the grade including group evaluation and participation. The case schedule is provided in Table III.

VIII. General Comments: Some ground rules:

a. Please be on time.
b. You are strongly encouraged to attend the lectures so that you can keep current with the materials.
c. The last three rows will remain vacant. If you happen to come late or know that you have to leave the class early for various reasons, please take a sit in one of these three rows. This will ensure that late arrivals or early departures are not disturbing and disruptive to others.
d. Please feel free to go to other lectures if you miss the lecture you are registered in on the condition that you do so only infrequently. However, due to the large class size, sometimes you may not be able to find a seat.
e. **Please turn off your pagers, mobiles and other wireless devices.** This is to ensure that class can proceed with minimum disturbance. I am expecting your full cooperation in this matter to avoid the necessity of imposing sanctions on violators.
f. I am extremely concerned about the fact that few (a handful only) students engage in personal conversations during the class. I am sure that those (most) of you who do not talk during the class agree with me that such private conversations are very disturbing and disruptive, and not very polite and civilized. I need your help and cooperation in this matter. In addition to relying on you to ensure that others do not talk, I am going to take several actions to encourage you not to talk to during the class.
g. There are at least 7 ways for you to communicate with us:
    1. During the class (I will assign 5 – 10 minutes in each class for questions)
    2. Tutorial Sessions: Posted on **WebCT**
    3. Office Hours: Posted on **WebCT**
    4. E-mail: Posted on **WebCT**
    5. Phone Call: Included in this syllabus

6. Discussion Board
7. Student Mentors

h. Please take advantages of these channels to get your questions answered, especially through the **discussion board** so that other classmates can share their views and benefits from the discussion. I am very determined and ready to do everything possible to ensure that your questions are answered to the best of our ability as promptly as possible.

i. We will try to answer as many of your questions as possible. We have posted lots of past academic questions and answers on the **WebCT**. In addition, based on past experience we have also created FAQ on the **WebCT** to answer administrative questions. **You are strongly advised to review FAQ before sending us your questions.** This responsible behavior on your parts will give us more time to answer your questions effectively. On our part, we may choose not to repeat our answers for the questions already answered on **WebCT**.

j. Please check 'announcement' on **WebCT** to keep you abreast of any new material posted for this class.

k. Finance, in general, and this course, in particular, is extremely important not only for your degree and career but also for your lifelong personal decisions. This motivates us to create a very strong positive learning environment for you and make ourselves available to you in as many ways as possible. The school and the department have committed substantial resources to make this a real possibility. We strongly urge and expect that you will take advantage of this.

IX. List of Tables

Table I: Special Features of the Textbook

Title	Content	Page
Glossary	Meaning of financial terms	P.555 – 560
Name Index	Containing names of various persons whose writings have been used in the book	P.561
Equation Index/Appendix B	References to all formulas used in the book	P.562/P.544
Subject Index	Providing page numbers for various ideas, concepts and techniques illustrated in the text	P.563 – 574
Appendix D	Using TI BA II and HP-10B calculators	P.551 – 554
Appendix C	Final answers to selected end-of-chapter problems	P.547 – 550
Learning objective & a vignette	Actual story focusing on chapter objectives	Beginning of each chapter
Excel templates	Some questions can be solved by Excel	www.mhhe.com/rwj
Concept Questions	Testing your understanding of the most important concepts	End of each chapter session
Numerical examples	Understanding concepts and their applications	Within each chapter
Chapter review and Self-test problems with answers	Testing your ability to solve problems related to the content of the chapter	Within each chapter
A list of key terms, key equations, and a summary of key points		Within each chapter
Critical thinking and concepts review	Applying concepts to real world situation	End of each chapter

Table II Course Outline

Date	Ch	Topic	Problems in Class	Problems in Tutorial	Additional Problems
February 5	1	Introduction			
February 10 & 12	4	The Time Value of Money	8, 11, 12, 18	13, 20, 25	6, 21
February 17 & 19	5	Discounted Cash Flow Valuation	5, 7, 9, 14	20, 27, 35, 41	13, 46, 55, 56
February 24 & 26	6	Bond Valuation	3, 5, 6, 12	16, 28, 29	9, 11, 30
March 3 & 5	7	Stock Valuation	2, 4, 11, 13	16, 21, 22	6, 14, 23, 25
March 10 & 12	8	Net Present Value	1, 7, 10, 13	15, 27	21, 22, 26
March 17		First Exam Review			
March 18		First Exam (Tentative)		6:00 – 9:00 pm	
March 19 & 24	2	Financial Statements	2, 6, 12, 19	3, 4, 21	11, 12, 13
March 26 &31	3	Working with Financial Statements	5, 7, 9, 25	19, 28	15, 16, 17, 20, 21, 34, 35, 36
April 2 & 7	9	Capital Investment Decision	2, 9, 13, 14	21, 24, 25	20, 23
April 9 & 14	10	Lessons from Capital Market History	1, 9, 21, 25	4, 10	2
April 16		Case 4 in class			
April 28 & 30	11	Risk & Return	2, 6, 7, 11	13, 35	18
May 5 & 7	12	Cost of Capital	3, 6, 12, 15	17, 30	26, 29
May 12	15	Sources of Capital	1, 2, 3, 4		
May 14		Second Exam Review			

The date and other arrangements regarding second exam will be announced later.

Table III Schedule for Tutorials and Cases

Tutorial	Date	Cases
1	February 6 & 7	
2	February 13 & 14	
3	February 20 & 21	Case 1: TVM
4	February 27 & 28	
5	March 6 & 7	Case 2: Bond
6	March 13 & 14	
7	March 27 & 28	
8	April 3 & 4	
9	April 10 & 11	Case 3: Financial Analysis
10	April 24 & 25	Case 5: Capital Budgeting
11	May 15 & 16	

Note: Case 4 will be done on April 16 in the class.