

**FINA 110 FUNDAMENTALS OF BUSINESS FINANCE  
SUMMER 2003**

1. GENERAL INFORMATION

**Instructor**

Mr. Hung Wan KOT

Phone: 2358 8944 (Office hour only)  
Office: Room 4382 (via lift 17 & 18)  
Office Hour: Monday, Wednesday & Friday 10-11 am  
or by appointment (e-mail to me first)  
Email: hwkot@ust.hk

**Course Web**

<http://webct.ust.hk>  
Username: (your e-mail account)  
Password: (your student ID number)

**Class Hour (L1)**

11am – 12:50am  
(every Monday, Wednesday & Friday)

**Classroom**

Room 2503 (via lift 25 & 26)

2. COURSE DESCRIPTION

This elementary finance course introduces the basic concepts and techniques of business valuation for non-business students. We will introduce the financial statements and cash flow, and show how to work with them in the first stage. Before going to the valuation of stocks and bonds, we will illustrate the concept of “Time value of money”. In the capital budgeting part, we will introduce the key concept “Net present value” and other investment criteria in decision making. We also briefly introduce the equity market, the concepts of “Risk” and “Return”. Finally, we will discuss how to measure the cost of capital. In general, the course offers scientific tools for evaluating assets and investment projects.

3. READING MATERIALS

**Textbook**

*Essentials of Corporate Finance* (by Ross, Westerfield, and Jordan, 3rd edition, McGraw-Hill).

**Supplementary readings (not required)**

“*The Hong Kong securities industry*,” (edited by Leslie S.F. Young & Raymond C.P. Chiang, Stock Exchange of Hong Kong, Asia-Pacific Institute of Business, Chinese University of



## Course Schedule

Week	Date	Topic	Reading
1	June 23	Introduction	Ch. 1
	June 25	Financial statements, taxes, and cash flow	Ch. 2
	June 27	Working with financial statements	Ch. 3
2	June 30	Working with financial statements & introduction to valuation	Ch. 3 - 4
	July 2	Introduction to valuation: the time value of money	Ch. 4
	July 4	Discounted cash flow valuation	Ch. 5
3	July 7	Discounted cash flow valuation	Ch. 5
	July 9	<b><i>Quiz 1 (Ch.1-5)</i></b>	
	July 11	Interest rates and bond valuation	Ch. 6
4	July 14	Interest rates and bond valuation & equity markets and stock valuation	Ch. 6 - 7
	July 16	Equity markets and stock valuation	Ch. 7
	July 18	Net present value and other investment criteria	Ch.8
5	July 21	NPV & other investment criteria and making capital investment decisions	Ch. 8 - 9
	July 13	Making capital investment decisions	Ch. 9
	July 15	<b><i>Quiz 2 (Ch. 6-9)</i></b>	
6	July 28	Some lessons from capital market history	Ch. 10
	July 30	Risk and return	Ch. 11
	August 1	Risk and return	Ch. 11
7	August 4	Cost of capital	Ch. 12
	August 6	Introduction of HK stock markets & Final Review	
	August 8	<b><i>Final Exam (Ch. 10-12)</i></b>	

### Problem Sets

Chapter	Critical Thinking and Concepts Review	Questions and Problems
1	2, 3, 5, 7, 11	
2	1-4, 7-9	1, 2, 7-13, 14*, 16-22
3	3,7	2, 6, 7, 17, 19, 22, 24, 25, 29, 32
4	3, 6	1, 4, 5, 6, 15, 16, 20, 22, 25
5	1, 6, 8	3, 4, 5, 6, 10, 12, 14, 19, 20, 21, 29, 30, 31, 35, 37, 39, 40, 43, 44, 53, 55, 56.
6	2, 8, 10	2, 5, 7, 16, 17, 24, 28-30
7	2, 11*	7, 10, 13-16
8	1, 2*, 5(b), 6(b and c), 8, 10	3, 4, 10, 11, 12, 14, 16, 18, 20, 21, 22, 23, 24, 25, 27
9	4*, 5, 6, 10	1, 2, 3, 4, 1, 9-11, 13*, 14-20, 23-25
10		1, 2, 4, 5, 8, 16, 24, 25
11	1*, 5, 6, 7, 8	1-4, 8-17, 22*, 25, 30, 38, 39
12	3*, 4, 8, 9, 10	4, 6-9, 11, 15, 17, 19, 21, 26, 28*, 29, 30*

Note: \* indicates that the question associated with it is somewhat challenging. Please work on the questions without \* first. Then try the questions with \*.