

**FINA 110 FUNDAMENTALS OF BUSINESS FINANCE  
SUMMER 2004**

**Instructor**

Mr. Shantanu Banerjee

Phone: 2358 8943 (Office hour only)

Office: Room 4382 (via lift 13-15,17-18)

Office Hour:

Tuesday 10:30am -12:30pm

Or, by appointment

Email: shantanu@ust.hk

<u>Lecture room</u>	<u>Time</u>	<u>Section</u>
2504 (lift 25 & 26)	11am – 12:50pm Mondays, Wednesdays & Fridays	L1

**Course Web**

<http://webct.ust.hk>

Username: (your e-mail account)

Password: (your student ID number)

**COURSE DESCRIPTION**

This elementary finance course introduces the basic concepts and techniques of business valuation for non-business students. We will start with the concept of “Time value of money” and use it to value stocks and bonds. Then we will learn how to understand financial statements reported by firms.

In the second half of the course, we will introduce the key concept “Net present value” and other criteria used in making investment decisions. We also briefly introduce the equity market, the concepts of “Risk” and “Return”. Finally, we will discuss how to measure the cost of capital of a company. Overall, the course would help you to know the fundamental scientific tools for evaluating investment opportunities both as an individual and as a manager of a profit making entity. It will also help you to understand how a firm decides to finance a project once the investment decision is made.

**READING MATERIALS**

**Textbook:** *Essentials of Corporate Finance* (by Ross, Westerfield, and Jordan, 3rd edition, McGraw-Hill). You are strongly recommended to buy the textbook.

Course Notes: please download from the WebCT.

## EXAMS AND GRADING:

Mid-term Exam: Chapter 1-7

Final Exam: Chapter 8-12

Two Quizzes. Best one would be considered for grading purposes. The coverage of the quizzes would be announced in class and by e-mail.

All exams and quizzes are closed-book.

The *final examination* will NOT be cumulative in that the portion covered in the *Mid-term* will not be tested directly in the *final exam*. However, the second part of the course is heavily based on the concepts taught earlier.

Grades will be based on the distribution suggested by University guidelines.

Relative weights:

Quizzes	10%
Mid-term exam	40%
Final Exam	45%
Class Participation	5%

There will be no make-up quizzes. No make-up exams will be given except for medical reasons supported by appropriate documentation.

## DOs and DON'Ts

- Class attendance is not mandatory but you are strongly recommended to attend the class regularly.
- Please come to the class on time. As a general rule, if you are more than 10 minutes late, you should not enter the classroom.
- Mobile phones and pagers MUST be switched off.
- Students are encouraged to raise questions to the lecturer and to participate actively in the class. Please do not allow problems to accumulate because it will be more difficult to solve them later. Students who actively participate in the class will receive bonus points.
- Students who disrupt the class frequently (by coming in late or leaving early, talking in class, using the mobile etc.) would lose participation points.

## CLASS ARRANGEMENT IN CASE OF TYPHOON AND BLACK RAINSTORM WARNING

Please visit <http://www.ab.ust.hk/arr/curhom.htm>

Week	Date	Topic	Readings
1	21-Jun (Mon.)	Introduction	Ch 1
	23-Jun (Wed.)	Time Value of Money	Ch. 4
	25-Jun (Fri.)	Discounted Cash Flow Valuations	Ch. 5
2	28-Jun (Mon.)	Discounted Cash Flow Valuations	Ch. 5
	30-Jun (Wed.)	Interest rates and bond valuation	Ch. 6
	2-Jul (Fri.)	Interest rates and bond valuation	Ch. 6
3	5-Jul (Mon.)	Quiz 1	
	7-Jul (Wed.)	Equity Markets and Stock Valuation	Ch. 7
	9-Jul (Fri.)	Financial statements, taxes, and cash flow	Ch. 2
4	12-Jul (Mon.)	Financial statements, taxes, and cash flow	Ch. 2
	14-Jul (Wed.)	Working with financial statements & Review	Ch. 3
	16-Jul (Fri.)	<b>Mid-term Exam</b>	<b>(Ch. 1-7)</b>
5	19-Jul (Mon.)	Net present value and other investment criteria	Ch.8
	21-Jul (Wed.)	NPV & other investment criteria and making capital investment decisions	Ch. 8 - 9
	23-Jul (Fri.)	Making capital investment decisions	Ch. 9
6	26-Jul (Mon.)	Quiz 2	
	28-Jul (Wed.)	Some lessons from capital market history	Ch. 10
	30-Jul (Fri.)	Risk and return	Ch. 11
7	2-Aug (Mon.)	Risk and return	Ch. 11
	4-Aug (Wed.)	Cost of capital	Ch. 12
	6-Aug (Fri.)	HK stock markets & Final Review	
8	9-Aug (Mon.)	<b>Final Exam</b>	<b>(Ch. 8-12)</b>