

FINA 110 FUNDAMENTALS OF BUSINESS FINANCE¹

SUMMER 2005

Instructors

Ms. Zheng Xiaohong & Mr. Zhang Jie

Phone: 2358 8944/8943 (Office hour only)

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

Office Hour:

Tuesday 10:30am -12:30pm

Or, by appointment

Email: fnzxh@ust.hk, zjking@ust.hk

Lecture room	Time	Section
2504 (lift 25 & 26)	15:00pm – 16:50pm (10 minutes break in-mid for each lecture) Mondays, Wednesdays & Fridays 20-June-2005 to 10-Aug-2005	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 understand how the real business world works. You will learn the fundamental scientific tools for evaluating investment opportunities both as an individual and as a manager of a profit making entity. You will also obtain some intuition on how a firm decides to finance a project once the investment decision is made, and how to do investments by yourself.

READING MATERIALS

Textbook: *Essentials of Corporate Finance* (by Ross, Westerfield, and Jordan, 4th edition, McGraw-Hill). You are strongly recommended to buy the textbook.

¹ This syllabus is temporary in the sense that the second half of the content is on the discretion of Mr. Zhang Jie.

Course Notes: please download from the WebCT.

EXAMS AND GRADING:

Mid-term Exam: Chapter 1-7

Final Exam: Chapter 8-12

Two Quizzes. Each quiz has 10% weight in the final grading. The coverage of the quizzes would be announced in class and by e-mail. (If you miss quiz 1, your mid-term exam weight will increase to 45% from 35%; if you miss quiz 2, your final exam weight will increase to 50% from 40%). It is mandatory that business-major students participate all the quizzes and they will be graded based on all the quizzes and exams. For all the other students, they are strongly encouraged to take the quizzes since they will be graded based on the higher grade of the two options (weights within and out of the brackets).

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	20% (0%)
Mid-term exam	35% (45%)
Final Exam	40% (50%)
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	20-Jun (Mon.)	Introduction	Ch 1
	22-Jun (Wed.)	Time Value of Money and Discounted Cash Flow Valuations	Ch. 4 & 5
	24-Jun (Fri.)	Discounted Cash Flow Valuations	Ch. 5
2	27-Jun (Mon.)	Interest rates and bond valuation	Ch. 6
	29-Jun (Wed.)	Interest rates and bond valuation	Ch. 6
	1-Jul (Fri.)	No Class – Public Holiday	
3	4-Jul (Mon.)	Quiz 1	
	6-Jul (Wed.)	Equity Markets and Stock Valuation	Ch. 7
	8-Jul (Fri.)	Financial statements, taxes, and cash flow	Ch. 2
4	11-Jul (Mon.)	Financial statements, taxes, and cash flow	Ch. 2
	13-Jul (Wed.)	Working with financial statements & Review	Ch. 3
	15-Jul (Fri.)	Mid-term Exam	(Ch. 1-7)
5	18-Jul (Mon.)	Net present value and other investment criteria	Ch.8
	20-Jul (Wed.)	NPV & other investment criteria and making capital investment decisions	Ch. 8 - 9
	22-Jul (Fri.)	Making capital investment decisions	Ch. 9
6	25-Jul (Mon.)	Quiz 2	
	27-Jul (Wed.)	Some lessons from capital market history	Ch. 10
	29-Jul (Fri.)	Risk and return	Ch. 11
7	1-Aug (Mon.)	Risk and return	Ch. 11
	3-Aug (Wed.)	Cost of capital	Ch. 12
	5-Aug (Fri.)	HK stock markets and applications	
8	8-Aug (Mon.)	International finance & Final Review	Ch. 18
	10-Aug (Wed.)	Final Exam	(Ch. 8-12)