

## FINA 110 FUNDAMENTALS OF BUSINESS FINANCE SUMMER 2006

### INSTRUCTOR

Mr. WU Xiongwei Daniel

Office: Room 4381 (via lift 13-15,17-18)

Office Hour: Monday, Wednesday and Thursday 2pm - 2:45pm, Or by appointment

Email: [xwwu@ust.hk](mailto:xwwu@ust.hk)

<b>Lecture room</b>	<b>Time</b>	<b>Section</b>
4505 (lift 25 & 26)	3pm - 4:50pm (10 minutes break in-mid for each lecture) Monday, Wednesday and Thursday 19-June-2006 to 7-Aug-2006	L3

### COURSE WEBPAGE

<http://webct.ust.hk>

### COURSE DESCRIPTION

This elementary finance course introduces the basic concepts and techniques of finance 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. After that, 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.

### TEXTBOOK AND NOTES

**Textbook:** *Essentials of Corporate Finance* (by Ross, Westerfield, and Jordan, 5th edition, McGraw-Hill). You are strongly recommended to buy the textbook. A copy of the book has been reserved in the library (2-hour reserve loan).

**Lecture Notes:** please download them from WebCT. I will upload notes at least one day before the lecture.

## **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.

All exams and quizzes are closed-book.

The *final examination* will NOT be cumulative in that the portion covered in the *Midterm* 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%
Mid-term Exam	35%
Final Exam	40%
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.

## **ASSIGNMENTS**

There will be assignments for each chapter, available from WebCT. You are encouraged, not required, to do assignments. If you submit your assignments through electronic forms (eg., .pdf or .doc file types), you are promised to get back your assignments with my grading.

## **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.
- Mobile phones and pagers **MUST** be switched off or turned to silent mode.
- Students are encouraged to raise questions to the instructor 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/reg/in/in\\_std\\_info/badweather.html](http://www.ab.ust.hk/arr/reg/in/in_std_info/badweather.html)

### CLASS SCHEDULE

Week	Date	Topic	Readings
1	19-Jun (Mon.)	Introduction	Ch 1
	21-Jun (Wed.)	Time Value of Money and Discounted Cash Flow Valuations	Ch. 4 & 5
	22-Jun (Thur.)	Discounted Cash Flow Valuations	Ch. 5
2	26-Jun (Mon.)	Interest rates and bond valuation	Ch. 6
	28-Jun (Wed.)	Interest rates and bond valuation	Ch. 6
	29-Jun (Thur.)	Equity Markets and Stock Valuation	Ch. 7
3	3-Jul (Mon.)	<b>Review and Quiz 1</b>	
	5-Jul (Wed.)	Financial statements, taxes, and cash flow	Ch. 2
	6-Jul (Thur.)	Financial statements, taxes, and cash flow	Ch. 2
4	10-Jul (Mon.)	Working with financial statements & Review	Ch. 3
	12-Jul (Wed.)	<b>Mid-term Exam</b>	<b>(Ch. 1-7)</b>
	13-Jul (Thur.)	Net present value and other investment criteria	Ch.8
5	17-Jul (Mon.)	NPV & other investment criteria and making capital investment decisions	Ch. 8 -9
	19-Jul (Wed.)	Making capital investment decisions	Ch. 9
	20-Jul (Thur.)	<b>Review and Quiz 2</b>	
6	24-Jul (Mon.)	Some lessons from capital market history	Ch. 10
	26-Jul (Wed.)	Risk and return	Ch. 11
	27-Jul (Thur.)	Risk and return	Ch. 11
7	31-Jul (Mon.)	Cost of capital	Ch. 12
	2-Aug (Wed.)	HK stock markets and applications	
	3-Aug (Thur.)	International finance & Final Review	Ch. 18
8	7-Aug (Mon.)	<b>Final Exam</b>	<b>(Ch. 8-12)</b>