

**FINA 110 FUNDAMENTALS OF BUSINESS FINANCE
SUMMER 2006**

Instructors

Mr. Li Gang

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Office Hour:

Tuesday 4:00pm - 5:30pm

Or, by appointment

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Lecture room	Time	Section
4505 (lift 25 & 26)	1:00pm – 2:50pm Mondays, Wednesdays & Fridays 19-June-2005 to 7-Aug-2005	L2

Course Web

<http://webct.ust.hk>

Username: (your e-mail account)

Password: (password of your email account)

COURSE DESCRIPTION

This elementary finance course introduces the basic concepts and techniques of business valuation for non-business students. We will start with understanding financial statements reported by companies. Then, we study the concept of “Time Value of Money” and use it to value stocks and bonds. 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 investor 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 invest by yourself.

READING MATERIALS

Textbook: Corporate Finance Essentials (by Ross, Westerfield, and Jordan, 5th edition, McGraw-Hill). You are strongly recommended to read the textbook. Earlier versions are fine as well.

Course Notes: please download from WebCT.

EXAMS AND GRADING:

Three Quizzes: Each quiz has 15% weight in the final grading. The coverage of the quizzes would be announced in class and by e-mail. The quizzes help you to review the course materials in a timely manner, and the materials covered since last quiz. Quizzes are scheduled at 28 June, 12 July and 26 July, the first half of the lecture.

Final Exam: The final examination will be cumulative. The materials tested in the quizzes may appear in the final exam. The final exam is scheduled on 7 Aug and consists of 45% of the final grade.

All exams and quizzes are closed-book.

Students who actively participate in the class will be rewarded with bonus points.

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

Relative weights:

Quizzes	45%
Final Exam	45%
Class Participation	10%

There will be no make-up quizzes and exam. Make-up will be given only for medical reasons supported by appropriate documentation.

DOs and DON'Ts

- 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.
- Class attendance is not mandatory but you are strongly recommended to attend the class regularly.
- Students are encouraged to raise questions and participate actively in the class. Please do not allow problems to accumulate because it will be more difficult to solve them later.
- Students who disrupt the class frequently (by coming in late or leaving early, talking in class, using the mobile etc.) would lose participation points.

Classes arrangement in case of typhoon & rainstorm black warning, please refer to ARRO websites.

Week	Date	Topic	Readings
1	19-Jun (Mon.)	Introduction	Ch. 1
	21-Jun (Wed.)	Financial statements, taxes, and cash flow	Ch. 2
	23-Jun (Fri.)	Financial statements, taxes, and cash flow	Ch. 2
2	26-Jun (Mon.)	Working with financial statements	Ch. 3
	28-Jun (Wed.)	Quiz 1, Time Value of Money	Ch. 4
	30-Jun (Fri.)	Time Value of Money	Ch. 4
3	3-Jul (Mon.)	Discounted Cash Flow Valuations	Ch. 5
	5-Jul (Wed.)	Discounted Cash Flow Valuations	Ch. 5
	7-Jul (Fri.)	Interest rates and bond valuation	Ch. 6
4	10-Jul (Mon.)	Interest rates and bond valuation	Ch. 6
	12-Jul (Wed.)	Quiz 2, Equity Markets and Stock Valuation	Ch. 7
	14-Jul (Fri.)	Equity Markets and Stock Valuation	Ch. 7
5	17-Jul (Mon.)	Net present value and other investment criteria	Ch.8
	19-Jul (Wed.)	NPV & other investment criteria and making capital investment decisions	Ch. 8 - 9
	21-Jul (Fri.)	Making capital investment decisions	Ch. 9
6	24-Jul (Mon.)	Some lessons from capital market history	Ch. 10
	26-Jul (Wed.)	Quiz 3, Risk and return	Ch. 11
	28-Jul (Fri.)	Risk and return	Ch. 11
7	31-Jul (Mon.)	Cost of capital	Ch. 12
	2-Aug (Wed.)	Cost of capital	Ch. 12
	4-Aug (Fri.)	Review	
8	7-Aug (Mon.)	Final	