



**Hong Kong University of Science and Technology
School of Business and Management
Department of Finance**

**FINA 110
Fundamentals of Business Finance
Summer 2006**

Instructor:

Name	Mr. Yuanto KUSNADI (丘万源)	
Office	Room 4381 (Lift 13-15, 17-18)	
Contact Details	Tel: 9179-9651	Fax: 2358-1749
	Email: yuanto@ust.hk	
Office Hours	By appointment	

Course Hours:

L1: Mon, Wed, Fri 10:00-11:50am

Venue: Room 4505

Class Duration: 19 June 2006 to 7 August 2006

(There will be no class between 17 to 23 July as I will be away for conference, make-up sessions will be arranged as necessary)

Course Description:

Fundamental of Business and Finance is an introductory finance course that is focused on the financial decision making principles and methods used by corporations. Major financial decisions include capital investment decisions, financing decisions, capital structure decisions dividend policy decisions, and working capital decisions. Teaching methods include lectures, in-class exercises, cases, and the use of computer spreadsheets. At the end of course, students will hopefully be equipped with the conceptual and analytical skills necessary to make sound financial decisions for the firm.

Required Textbook:

Essentials of Corporate Finance by Ross, Westerfield and Jordan (McGraw-Hill/Irwin, fifth edition, 2007)

◆ Online Learning Center: <http://www.mhhe.com/rwj>

This book is **REQUIRED** of all students since it will be used extensively throughout the course.

Course objectives, major topics and text references:

Upon completion of this course, a student should be able to explain and apply:

1. Basic financial management concepts (Ch 1)
2. Financial statement analysis (Ch 2 and 3)
3. Time value of money concepts (Ch 4) and their applications involving analysis of cash flows (Ch 5), analysis of capital investment projects (Ch 8 and 9), bond valuation (Ch 6), and stock valuation (Ch 7)
4. Capital market performance (Ch 10) and financial risk and return (Ch 11)
5. Costs of financial capital (Ch 12)

Grading Scheme:

Final Examination	50%
Mid-term Examination	30%
In-class Quizzes (2)	20%
<u>Homework and Class Participation</u>	<u>0-10%</u>
TOTAL	100%

(Please note that NO make-up exams or quizzes will be given except for medical reasons supported by proper documentation.)

Course Policy:

1. **Lectures:** I will conduct lectures which will cover concepts, problem-solving, and discussion of problems at the end of each chapter during class hours. From time-to-time, I will also bring in examples pertaining to real financial issues faced by companies. Students are encouraged to read ahead to gain the maximum benefit from the class.
2. **Course Schedule:** The tentative course schedule is given at the end of the course outline. I may make some changes to the course schedule, when necessary. Not all the chapters in the textbook will be taught in this course. **I will only test you on those which are covered in class.** Please check the course web page regularly for announcements!
3. **Study Aids and Supplementary Materials:** I will post the lecture notes for each topic, solutions for problem sets, quizzes, as well as additional handouts on the WebCT. In addition, additional textbook copies are placed in the Library Reserve.
4. **Classroom Behaviour and Participation:** I expect students to maintain proper discipline and conduct themselves in a responsible manner during the class. At the same time, I also encourage students to raise questions and participate actively in the class. **As a reward, A maximum of 10% bonus marks will be awarded for students.** In particular, I would like to call your attention to the following rules:
 - Please try to be punctual. I will start the class on time and if you are more than 10 minutes late, you should not enter the classroom.

- Please refrain from making loud conversations with your neighbors while the lecture is going on.
 - **Please remember to switch off your cell-phone and other electronic devices in class.**
5. General: I strongly encourage you to discuss with me any problems that you may encounter in this course as soon as they arise. Please do not allow problems to accumulate because it will be more difficult to solve them later.

TENTATIVE COURSE SCHEDULE – FINA 110 (L1, SUMMER 2006)

Week	Date	Chapter No.	Topic
1	Jun. 19	1	Introduction and conduct of the course
	Jun. 21	2	Understanding financial statements and cash flow
	Jun. 23	2, 3	Understanding financial statements and cash flow
2	Jun. 26	3	Understanding financial statements and cash flow
	Jun. 28	4	Time-value of money
	Jun. 30	5	Discounted cash-flow valuation Quiz 1 (1-hr)
3	Jul. 3	5	Discounted cash-flow valuation
	Jul. 5	6	Bond valuation
	Jul. 7	6	Bond valuation
4	Jul. 10	6	Bond valuation
	Jul. 12	7	Common-stock valuation
	Jul. 14	7	Common-stock valuation Review for Mid-Term Exam
Mid-Term Examination will cover materials up to Week 4 Scheduled on Saturday 15 July 2006, from 10am-12pm Full details will be announced in class			
5			NO CLASS (away for conference)
6	Jul. 24	10	Risk and return
	Jul. 26	11	Risk and return
	Jul. 28	11 8	Risk and return Capital budgeting
7	Jul. 31	8	Capital budgeting
	Aug. 2	9	Capital budgeting
	Aug. 4	9 12	Capital budgeting Cost-of-capital Quiz 2 (1-hr)
8	Aug. 7	12	Cost-of-capital Review for Final-Exam
Final Examination is scheduled on Wednesday 9 August 2006, from 9:30am-12:30pm Full details will be announced in class			