

THE UNIVERSITY OF HONG KONG
SCHOOL OF ECONOMICS AND FINANCE

FINA0304—Advanced Corporate Finance

Spring 2010

Instructor: Prof. Keith K.P. Wong

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Course Description:

This course develops theoretical and practical tools for corporate financial decisions. Topics covered include: discounting and compounding, valuation of bonds and stocks, pricing options and derivatives, capital budgeting, capital structure, and real options. Subtle elements of asymmetric information and conflict of interests among various claimants are emphasized.

Textbooks:

This course uses no textbooks. The following references may be useful.

Brealy, Richard A., Stewart C. Myers, and Franklin Allen, 2006. *Corporate Finance* (8th ed.). New York, NY: McGraw-Hill.

Shockley, Richard L., Jr., 2007. *An Applied Course in Real Options Valuation*. Mason, OH Thomson South-Western.

Course Intended Learning Outcomes (CILOs)

Upon completing this course, students should be able to:

- CILO1 Analyze the synthesis of modern asset pricing and corporate finance.
- CILO2 Compare and contrast real options analysis with traditional valuation methods.
- CILO3 Evaluate the effects of information and agency conflicts on corporate financial decisions.

Alignment of program ILOs and course ILOs

Program ILOs	Course ILOs
Acquisition and internalization of knowledge of economics & finance	CILO1, CILO2, CILO3
Application and integration of knowledge	CILO1, CILO2, CILO3
Developing global outlook	
Mastering communication skills	
Inculcating leadership	

Teaching and Learning Activities (TLA)

TLA1	Lecture	Instructor will give lectures on major concepts and issues.
TLA2	In-class and tutorial presentation and discussion	Students are expected to present their answers and engage in discussion during tutorial meetings. Most in-depth learning takes place when students actively engage themselves in discussions thought presenting and sharing their ideas
TLA3	Consultation	Both instructor and teaching assistant hold weekly consultation hours to answer students' questions.

Grading:

The course grade is made up as follows:

Mid-Term Test	March 11 (Thursday)	30%
Homework	Biweekly	10%
Final Exam	To Be Announced	<u>60%</u>
	Total	<u>100%</u>

Alignment Among Course Intended Learning Outcome, Teaching and Learning Activities and Assessment Tasks:

Learning Outcome	Teaching and learning activity (TLA)	Assessment
CILO1	TLA1, TLA2, TLA3	Homework, Mid-Term Test, Final Exam
CILO2	TLA1, TLA2, TLA3	Homework, Mid-Term Test, Final Exam
CILO3	TLA1, TLA2, TLA3	Homework, Mid- Term Test, Final Exam

Standards of Assessment

Grade	Grade Definition	Description
A+, A, A-	High distinction 80%-100%	Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis.
B+, B, B-	Distinction 70%-79%	Strong evidence of the ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis.
C+, C, C-	Credit pass 60%-69%	Evidence of adequate ability to fulfill the intended learning outcomes of the course at low levels of learning such as describe and apply but not at high levels of learning such as evaluate and synthesis
D	Pass 50%-59%	Evidence of basic familiarity with the subject.
F	Fail <50%	Little evidence of basic familiarity with the subject.

Academic Conduct

The University Regulations on academic dishonesty will be strictly enforced. Please check the University Statement on plagiarism on the web: <http://www.hku.hk/plagiarism/> Academic dishonesty is behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following type of case:

Plagiarism - The representation of someone else's ideas as if they are one's own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one's own work. Paraphrasing of someone else's ideas is still using someone else's ideas, and must be **acknowledged**.

Class Decorum:

The basic principle is to be considerate to others. Telephones and pagers must be switched off during class periods.

Course Outline

Date	Topic
January 12 (Tuesday)	Introduction
January 14 (Thursday)	Discounting and Compounding
January 19 (Tuesday)	Discounting and Compounding
January 21 (Thursday)	Valuation of Bonds
January 25 (Tuesday)	Valuation of Bonds
January 28 (Thursday)	Valuation of Stocks
February 2 (Tuesday)	Valuation of Stocks
February 4 (Thursday)	Pricing Options and Derivatives
February 9 (Tuesday)	Pricing Options and Derivatives
February 11 (Thursday)	Pricing Options and Derivatives
February 16 (Tuesday)	Lunar New Year Holiday
February 18 (Thursday)	Lunar New Year Holiday
February 23 (Tuesday)	Valuation of Corporate Securities
February 25 (Monday)	Valuation of Corporate Securities
March 2 (Tuesday)	Reading Week
March 4 (Thursday)	Reading Week
March 9 (Tuesday)	Valuation of Corporate Securities
March 11 (Thursday)	Mid-Term Test
March 16 (Tuesday)	University Holiday
March 18 (Thursday)	Real Options
March 23 (Tuesday)	Real Options
March 25 (Thursday)	Real Options
March 30 (Tuesday)	Capital Structure
April 1 (Thursday)	Incentives and Capital Structure
April 6 (Tuesday)	Ching Ming Festival
April 8 (Thursday)	Incentives and Capital Structure
April 13 (Tuesday)	Incentives and Capital Structure
April 15 (Thursday)	Information and Capital Structure
April 20 (Tuesday)	Information and Capital Structure
April 22 (Thursday)	Review

