

THE UNIVERSITY OF HONG KONG
FACULTY OF BUSINESS AND ECONOMICS
School of Economics and Finance
Course Syllabus and Schedule for Semester I of 2009/2010
For FINA1003 A/B Corporate Finance

I. INFORMATION ON INSTRUCTOR AND TEACHING ASSISTANT

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II. COURSE INFORMATION:

Prerequisite:

Introduction to Accounting

Course Overview:

The course starts with the basics of valuation, which includes the concepts of discounting, present values and net present values. These principles will be applied to the valuation of stocks and bonds. After covering the basics of the trade-off between risk and return, the lectures will focus on capital budgeting, i.e. on the question of how firms should make their investment decisions. Finally, we will learn how to finance the investment and the concept of the cost of capital. If we progress smoothly, the capital structure policy and the dividend policy of firms will also be covered.

Course Objective:

1. Introduce the field of corporate finance.
2. Build a solid ground for the subsequent courses in finance.
3. Acquaint students with basic principles for both career opportunities and personal finance.

Course Materials:

1. Required Textbook: Ross, Westerfield, and Jordan, Corporate Finance Fundamentals, McGraw-Hill, 8th edition, 2008
2. A financial calculator. Note: only the nonprogrammable one can be used for the exams.
3. Lecture Notes

Course webpage:

refer to your Portal WebCT

Intended Learning Outcomes (ILOs)

With successful completion of the course, students should be able to:

ILO1.	Understand the basic concept of the corporate finance.
ILO2.	Explain the structure of the firm and financial markets.
ILO3.	Understand the time value of money and calculate present and future valuation of cash flows streams.
ILO4.	Understand the bonds and stocks and their evaluation methods.
ILO5.	Understand the concept of capital budgeting and make capital investment decisions based on different criteria as a financial manager.
ILO6.	Explain the relationship between risk and return.
ILO7.	Understand the concept of cost of capital and cost of equity under different capital structures.
ILO8.	Explain financial leverage and capital structure policy.
ILO9.	Familiar with financial analysis and teamwork.

Alignments of Program and Course Learning Outcomes:

Program Intended Learning Objectives	Course Intended Learning Objectives
1. Acquisition and internalization of knowledge of economics and finance	ILO1, ILO2, ILO3, ILO4, ILO5, ILO6, ILO7, ILO8
2. Application and integration of knowledge	ILO1, ILO2, ILO3, ILO5, ILO6, ILO7
3. Developing global outlook	ILO1, ILO2, ILO4, ILO5
4. Mastering communication skills	ILO5, ILO9

Teaching and Learning Activities (TLAs)

TLA1.	Lectures:	Instructors will give lectures on major concepts and issues.
TLA2.	Class participation:	Students are encouraged to raise questions in class and actively participate in the class discussion. Class participation is the way for students to give instantaneous feedback to the lecture.
TLA3.	Tutorial:	A teaching assistant will discuss the answers to problem sets and assignments. Attendance of tutorials is optional.
TLA4.	Consultations:	Both instructor and teaching assistant hold weekly consultation hours to answer questions.
TLA5.	Homework:	There will be periodic homework assignments to review course materials. Some material will be similar to the exam questions.
TLA6.	Term Project:	Students are required to work on one term project. The objective is to give students opportunity to identify interesting topics in finance and apply learnt knowledge to analyze them.

Assessment

The final grade will be determined based on the weights of various components:

A1.	Assignments	10%
A2.	Mid-term Exam	30%
	Final Exam	45%
A3.	Term Project	15%
	Total	100%

A1. Assignments

There are four assignments in this course. Students have to **type** all assignments and turn in on time. Late or hand-written assignments are not allowed. Students should form a group (4 or 5 students, depending on the class size) for **both** the assignments and the term project. Each member in the group will get the same points for the assignments and term project. Whoever cheating in assignments (e.g., copy other groups or let other groups copy) will get zero point.

A2. Term project

Students are free to choose the topic of their term project as long as it is related to corporate finance. Students are encouraged to discuss their term project topic with the instructor as early as possible. The deadline to submit the term project topic is **October 30**. Email TA the term paper topic and group members before the deadline. Students are required to prepare a report which contains the executive summary (one-page), major text (maximum **12** pages, font size 12 and 1.5 lines spacing) and supporting exhibits, figures, etc. In addition, students need to make appropriate references to the source material and submit copies of any unique source material they use.

The project is due on December 4.

A3. Exams

Both exams are closed book exams. Students will need the nonprogrammable financial calculators for both exams. All materials covered in the class, including assignments and textbook problems will be considered in the exam questions. No make-up exam will be given except for medical or other emergency reasons supported by proper documentation.

Relationship among Intended Learning Outcomes (ILOs), Teaching and Learning Activities (TLAs) and Assessments (A)

ILOs	Teaching and Learning Activities (TLAs)						Assessments (A)		
	1	2	3	4	5	6	1	2	3
1									
2	✓	✓	✓	✓	✓	✓	✓	✓	✓
3	✓	✓	✓	✓	✓	✓	✓	✓	
4	✓	✓	✓	✓	✓	✓	✓	✓	
5	✓	✓	✓	✓	✓	✓	✓	✓	
6	✓	✓	✓	✓	✓	✓	✓	✓	
7	✓	✓	✓	✓	✓	✓	✓	✓	
8	✓	✓	✓	✓	✓	✓	✓	✓	
9					✓	✓	✓	✓	✓

Standards of Assessment

The exams and assignments are graded based on the following criteria:

Grade	Criteria
A+, A, A-, Excellent Distribution 0~25%	Give accurate answers to all problems, provide detailed and insightful content to essay questions and score correctly on more than 90% of the multiple choice questions.
B+, B, B-, Good Distribution: 20%~50%	Give accurate answers to most problems, provide detailed and insightful content and score correctly on less than 90% of the multiple choice questions.
C+, C, C-, Satisfactory Distribution: 10%~50%	Give accurate answers to a few problems, provide limited content to some essay questions and score correctly on less than 80% of the multiple choice questions.
D+, D, Pass Distribution: Balance	Give accurate answers to some problems, provide unclear content to most essay questions and score correctly on less than 70% of the multiple choice questions.
F, Fail Distribution: Balance	Skip some problems or give inaccurate solutions to most problems, provide poor content to most essay questions and score correctly on less than 60% of the multiple choice questions.

The term project is graded using the following criteria: identification of relevant information (50%); presentation/explanation of analysis (40%); and writing style (10%).

Grade	Criteria
A+, A, A-	Very good to excellent ratings on some or all three criteria.
B+, B, B-	Good to very good ratings on some or all three criteria.
C+, C, C-	Fair to good ratings on some or all three criteria.
D+, D	Fair ratings on all three criteria.
F	Fail to submit the case synthesis.

III. COURSE POLICIES

Class Conduct

Students are required to attend all lectures on time. **Show respect to your instructor and your fellow students.** But there are two rules are particularly important:

1. Do not **talk** to your fellow students
2. Do not use your **mobile phone**

Students who violate any of these two rules will be asked to leave the classroom after the first warning.

Academic Dishonesty

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 types of cases:

1. 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.

2. Cheating on Exams - The covert gathering of information from other students, the use of unauthorized notes, unauthorized aids, etc.
3. Unauthorized Advance Access to an Exam - The representation of materials prepared at leisure, as a result of unauthorized advance access (however obtained), as if it were prepared under the rigors of the exam setting. This misrepresentation is dishonest in itself even if there are not compounding factors, such as unauthorized uses of books or notes.

Where a candidate for a degree or other award uses the work of another person or persons without due acknowledgement:

1. The relevant Board of Examiners may impose a penalty in relation to the seriousness of the offence
2. The relevant Board of Examiners may report the candidate to the Senate, where there is *prima facie* evidence of an intention to deceive and where sanctions beyond those in (1) might be invoked.

IV. COURSE SCHEDULE¹ (Semester I 2009/2010)

Week	Date	Chapters	Topic
1	Sep 1 - Sep 4	1	Course overview, Introduction of Finance
2	Sep 7 - Sep 11	5	Time Value of Money
3	Sep 14 - Sep 18	6	Discounted Cash Flow Valuation
4	Sep 21 - Sep 25	7.1 - 7.3 8.1	Bond Valuation Stock Valuation Assignment 1 due
5	Sep 28 - Oct 2	13.4 - 13.6 13.7 13.8	Risk and Return – Risk, Diversification, Beta – The Security Market Line – The SML and the Cost of Capital
6	Oct 5 - Oct 9	9	NPV & Investment Criteria Assignment 2 due
7	Oct 12 - Oct 16	Reading Week	
8	Oct 19 - Oct 23	2.4 10	Cash Flow from Asset Making Investment Decisions Mid-Term (2 hours)
9	Oct 26 - Oct 30	11	Project Analysis Term paper topic due
10	Nov 2 - Nov 6	15	Cost of Capital Assignment 3 due
11	Nov 9 - Nov 13	16.1-16.5	Corporate Financing
12	Nov 16 - Nov 20	17	Capital Structure Policy
13	Nov 23 - Nov 27	18	Dividend Policy Assignment 4 due
14	Nov 30 - Dec 4	Revision Period	Term paper due
15	Dec 7 - Dec 11	Assessment Period	
16	Dec 14 - Dec 18	Assessment Period	

¹ The schedule is tentative and subject to change. Any revision of this course outline will be announced in class.