

**THE UNIVERSITY OF HONG KONG
FACULTY OF BUSINESS AND ECONOMICS**

**School of Business
FINA1003 – Corporate Finance
Semester I of 2009-2010**

I. Information on Instructor and Tutor

Instructor: Xiaohui Gao
Email: xiaohui@hku.hk
Office: K.K.Leung Building 1114
Phone: (852) 28591031
Webpage: <http://www.sef.hku.hk/~xiaohui/>
Consultation times: Fridays 11:00am-12:00pm or by appointment

Tutor: Tim Yeung
Email: h0212777@hkusuc.hku.hk
Office: KKL1108B
Phone: 2219-4179
Office Hours: TBA

II. Course Description and Objectives

- Required Textbook

Ross, Westerfield, and Jordan, Corporate Finance Fundamentals, McGraw-Hill, 8th/9th edition, 2009

- Prerequisite

The course assumes that you have completed introductory courses in basic algebra, accounting, and some statistics. You are encouraged to print out the lecture notes posted on **HKU WebCT** and bring the copy to class. Please also check the WebCT for updates on course materials and other related announcements as often as possible.

- Course Overview

This course is an introductory course in modern corporate finance and financial management. We explore the basic principles and apply them to the main decisions faced by the financial manager. Topics covered are as follows: financial statement analysis, valuation of future cash flows, capital budgeting, cost of capital, and financial policy.

- Course objectives

1. To help students to develop a solid understanding of corporate finance and financial management.
2. Provide students with concepts and methods that are heavily used in practice.

- Note on Calculators

This course involves the use of a financial calculator (Texas Instruments BA II Plus or HP 12C) and the development of Excel spreadsheets for solving complex problems. Other nonprogrammable calculators are allowed in quizzes and exams.

III. Learning Outcomes

1. Understand financial statements, be able to compare among firms, and be aware of the limits in financial statement analysis.
2. Understand how to value future cash flows and be able to apply the valuation techniques
3. Understand how to make investment decisions and be able to conduct project analysis and valuation
4. Understand the cost of capital and be able to conduct capital structure analysis

IV. Alignment of Program and Course Outcomes

Program Learning Outcome	Course Learning Outcome
1. Understand financial statements, be able to compare among firms, and be aware of the limits in financial statement analysis.	Course Chapter I
5. Understand how to value future cash flows and be able to apply the valuation techniques	Course Chapter II
6. Understand how to make investment decisions and be able to conduct project analysis and valuation	Course Chapter III
7. Understand the cost of capital and be able to conduct capital structure analysis	Course Chapter IV

V. Teaching and Learning Activities

Students are expected to behave in a professional and courteous manner at all times, not only in dealing with the course instructor, but also with fellow students. Respect for others is to be demonstrated through class attendance, meaningful participation, and punctuality in arriving at the class. It is deemed inconsiderate to peers if a student arrives late, so every effort should be made to arrive on time.

Students are required to read the assigned chapters before they are covered in class. PowerPoint slides of the lecture notes will be posted on the class website before each lecture. You are encouraged to print them out and bring them to class.

All announcements and answers will be posted on the class website so please check the website as often as possible.

Working in groups to solve the assigned problems is recommended. Students are encouraged to ask relevant and meaningful questions, actively participating in each class.

Any student who cannot attend a class, or who will be late for a class, should inform the instructor beforehand (in writing). Similarly, for any known special arrangements that need to be made, a student should give the instructor written notice with as much forewarning as possible.

Students should refrain from eating or drinking in the classroom. It is also requested that all cell-phones, pagers, beepers, alarms, etc. be switched off or silenced before the beginning of each class.

Adherence to these general principles will carry significant weight in determining a student's class participation grade.

VI. Assessment

Graded Components of the Course

The following components will be used to determine a student's course grade:

Component	Weight	Description
Class Participation and Attendance	15%	Includes non-graded problems and attendance
Homework Assignments	20%	Three to four homework assignments
Tutorial Performance	10%	Evaluated by the tutor
Exams	55%	Two exams, a mid-term (worth 25%) and a final exam (worth 30%), given on assigned dates

Examinations

Two exams will be given during the semester, a mid-term and a final. The final exam will be during the university-assigned time slot. It will be cumulative over the entire course, but will be weighted towards the second half. Both exams will be quantitative in nature, consisting of multi-part questions, and financial calculators will be required to answer them. Each exam will last approximately two hours. Partial credit may be assigned where a student shows detailed working and gives sufficiently clear explanations of how to obtain a final answer.

Make-up exams will be offered only under extremely extenuating circumstances and only if a student provides notification to the instructor well in advance of the conflict. Any student who misses an exam without satisfying these two criteria will receive a zero grade for that exam.

VII. Standards for assessment

Grading Scale

Grades will be assigned based on the following points earned during the semester:

Grade	Course points
A	90.00-100.00
B+	87.00-89.99
B	80.00-86.99
C+	77.00-79.99
C	70.00-76.99
D+	67.00-69.99
D	60.00-66.99
E	0.00-59.99

Note: The final letter grade will be curved so be advised that a 90.00 does not guarantee an A in this class. The same applies to other letter grades.

VIII. Academic Conduct

Academic Dishonesty

The University of Hong Kong regulations on academic dishonesty will be strictly enforced. 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. Students are prohibited from engaging in the following conduct:

1. Prohibited Collaboration or Consultation. A student shall not without express authorization collaborate or consult with another person in an academic activity.
2. Prohibited Use of Materials or Resources. A student shall not use unauthorized materials or resources in an academic activity.
3. Plagiarism. A student shall not represent as the student's own work all or any portion of the work of another.
4. Unauthorized Taking or Receipt of Materials or Resources to Gain an Academic Advantage. A student shall not without express authorization take or receive materials or resources from a faculty member for the purpose of gaining an academic advantage.
5. Unauthorized Recordings. A student shall not without express authorization make or receive any recording of any class, co-curricular meeting, organizational meeting, or meeting with a faculty member.
6. Bribery. A student shall not offer, give, receive, or solicit a bribe of money, materials, goods, or services for the purpose of procuring or providing an academic advantage.
7. Submission of Paper or Academic Work Purchased or Obtained from an Outside Source. A student shall not submit as his or her own work a paper or other academic work that was purchased or otherwise obtained from an outside source.
8. Conspiracy to Commit Academic Dishonesty. A student shall not conspire with another person to commit an act that violates the academic honesty.

IX. Other Important Course Policies

Regrade Policy

To ensure that all students are treated equally and fairly in the grading process, a student must follow the regrade policy outlined below if they want their grade to be reconsidered. The following material must be provided within **two weeks** of when the assignment was returned (or within **two weeks** of the end of the term in the case of the final exam).

If it is believed that course points were **incorrectly summed**, then a student should:

1. Turn in **all** graded course material, with corresponding points.
2. Show clearly in writing where the summation error is believed to have occurred.
3. Provide contact information so that they can be reached once their case has been evaluated (phone and email).

If it is believed that **incorrect credit** was received for a particular portion of the graded material, then a student should:

1. Turn in **all** graded course material, with corresponding points.
2. Provide a **clear**, type-written case (along with *very strong* supporting documentation) that **clearly** shows why it is believed that insufficient credit was received for the assignment. Note that only **1 opportunity** will be given for a case to be made – so it needs to be as clear and strong as possible. Also, please note that non-sense cases can

result in a student's course grade being downgraded once all of their graded course material has been re-evaluated.

3. Provide contact information so that they can be reached once their case has been evaluated (phone and email).

X. Course Schedule

The schedule given below is only tentative, and may be changed based on the progress of the class. It is a student's responsibility to read the assigned chapters, as information in them may be part of a quiz or an exam.

Week	Topic	Reading
Week 1 (Sept 1, Sept 4)	Introduction to Corporate Finance, Time Value of Money	Chapter 1, 5
Week 2 (Sept 8, Sept 10)	Discounted Cash Flow Valuation	Chapter 6
Week 3 (Sept 15, Sept 17)	Bond Valuation	Chapter 7
Week 4 (Sept 22, Sept 24)	Stock Valuation; Corporate Financing	Chapter 8, 16
Week 5 (Sept 29)	NPV and other Investment Criteria	Chapter 9
Week 6 (Oct 6, Oct 8)	NPV and other Investment Criteria	Chapter 9
Oct 12 – Oct 17, Reading Week		
Week 7 (Oct 20)	Accounting Review Capital Investment Decisions	Chapter 2, 10
Midterm Exam: Oct 22, Thursday (tentative schedule)		
Week 8 (Oct 27, Oct 29)	Project Analysis and Evaluation	Chapter 11
Week 9 (Nov 3, Nov 5)	Risk and Return	Chapter 12, 13
Week 10 (Nov 10, Nov 12)	Cost of Capital	Chapter 15
Week 11 (Nov 17, Nov 19)	Capital Structure Policy	Chapter 17
Week 12 (Nov 24, Nov 26)	Dividends and Dividend Policy	Chapter 18