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| Subject Code | : | AF3313 | |
| Subject Title | : | Business Finance | |
| Level | : | 3 | |
| Credits | : | 3 | |
| Mode of Study | : | Lectures | 28 hours |
| | | Seminars | 14 hours |
| Pre-requisites | : | Financial Accounting (AF2108) or equivalent | |
| Assessment | : | Coursework | 40% |
| | | Final Examination | 60% |
| Minimum Pass Grade | : | Coursework | (D) |
| | | Final Examination | (D) |

ROLE AND PURPOSE

This subject aims to provide a solid and rigorous introduction to the basic fundamentals of finance. Topics covered in the module provide students with a foundation for other subjects and a foundation of professional-specific skills and knowledge. Students are expected to learn and understand Business Finance in the context of integrated business environment. They will be able to analyse the financial function in business and its strategic role in corporate management. They will also develop strong analytical skills and critical thinking.

LEARNING OUTCOMES

On successfully completing this subject, students will be able to:

- Describe the major function of financial managers;
- Compare investment appraisal techniques and understand the limitations of those techniques;
- Evaluate the various sources of finance available in Hong Kong;
- Examine the factors affecting capital structure and dividend policy and their effect on the cost of capital;
- Interpret the key characteristics of working capital and its individual elements; and
- Demonstrate how risk and uncertainty affects investment returns.

INDICATIVE CONTENT

Introduction

Firm's goals and objectives. Time value of money.

Valuation of Securities

Shares and bonds.

Cost of Capital

Definition and component of cost of capital. Introduction to weighted average cost of capital.

Capital Investment Techniques

Payback. Accounting rate of returns. Internal rate of returns. Net present value. Comparisons of discounted cash flows techniques. Projects with different lives and investment outlay. Capital rationing. Replacement decisions.

Investment Decisions under Uncertainty

Mean-variance rule. Sensitivity analysis and simulation.

Portfolio Theory

Efficient frontier. The capital market line. Market price for risk. Beta measurement. The security market line. Limitation of CAPM.

Sources of Finance

Working Capital Management

TEACHING/LEARNING APPROACH

Key issues related to each topic will be covered in mass lectures. Interpretation and application of concepts and techniques will be discussed and elaborated in tutorials. All students are expected to contribute to class discussion. A variety of assessment tools, including in-class exercises, presentations, quizzes, etc. will be used. The assessments are designed to develop the analytical and communications skills of the students and the ability of applying the knowledge covered in this subject.

INDICATIVE READING

Ross, S.A., R.W. Westerfield and B. Jordan, *Essentials of Corporate Finance*, 4th Edition, Irwin/McGraw-Hill, 2003.

Van Horne, J.C., *Financial Management and Policy*, 12th Edition, Prentice Hall, 2002.

Van Horne, J.C. and J.M. Wachowicz, *Fundamentals of Financial Management*, 11th Edition, Prentice Hall, 2001.

Brealey, R.A. and S.C. Myers, *Principles of Corporate Finance*, 6th Edition, McGraw Hill, 2000.

STAFF RESPONSIBLE

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