

Subject Code	AF5318
Subject Title	Financial Management
Credit Value	3
Level	5
Normal Duration	One Semester
Pre-requisite / Co-requisite/ Exclusion	Exclusion: Principles of Corporate Finance (AF5312) / Managerial Finance (AF5326) / Finance for Executives (AF5327) / Financial Management for Executives (AF5367) / Corporate Finance for Executives (AF5331)
Role and Purposes	This subject contributes to achieve the MSc in Accountancy Programme by students to acquire the necessary concepts and knowledge in modern corporate finance. Upon completion of this subject, students should be able to understand corporate finance concepts and contemporary issues, obtain the financial management techniques to analyze and conclude investment and financing decisions, and handle more complicated corporate financial issues in his/her financial manager capacity (Outcome 3).
Subject Learning Outcomes	On successfully completing this subject, students will be able to a. use the principles of valuation and the basic concepts and techniques of capital investment appraisal; b. explain portfolio theory, and the risk-return relation and cost of capital determination; c. evaluate the dividend policy and capital structure irrelevancy arguments and the conditions under which they are relevant; d. identify the types of securities issued and traded in financial markets, and how these can be used for raising funds; e. apply the concepts, tools and analytical frameworks of financial decision-making to solve practical financial problems. f. apply appropriate conceptual frameworks in more specialized areas of accounting and finance, business environment in China, etc.
Subject Synopsis/ Indicative Syllabus	Objectives and Functions of Corporate Financial Management Corporate goals and financial objectives. Agency theory. Management compensation. Value of the firm expressed as contingency claims. Principles of Valuation Time value of money. Compounding and discounting. Short-cuts of present value calculation. Valuation of shares and bonds. Capital Investment Appraisals

	<p>Real interest versus nominal interest. Cash flow and discounted cash flow. Capital budgeting techniques. Separating investment decision from financing decision. Replacement decisions. Risk analysis and real option.</p> <p>Portfolio Theory and Capital Asset Pricing Model Concept and benefits of portfolio diversification. Systematic and diversifiable risk. Efficient portfolios. Two-Fund Separation Theorem. CAPM. Determinants and estimation of beta.</p> <p>Efficient Market Hypothesis Competition as a driving force behind information efficiency. Weak-form, semi-strong form and strong form Efficient Market Hypothesis. Empirical evidence.</p> <p>Long-term Financing Basic features of equity and debt financing. Initial public offering: mechanism and pricing. Rights offering. Bond rating, call provisions and pricing. Types of securities issued and traded in financial markets.</p> <p>Capital Structure and Dividend Decisions Issues of controversy. MM propositions, implications and limitations. Pecking Order Theory. Information content of capital structure and dividend decisions.</p> <p>Valuation and Capital Budgeting for the Levered Firm NPV analysis for financing transactions, the APV approach, the Flow to Equity approach, the WACC approach.</p>																																																														
<p>Teaching/Learning Methodology</p>	<p>The subject is structured around lectures/seminars, supplemented by exercises within class and group presentation. Guest speakers may be invited to give expert views on current topics. Students are urged to prepare themselves well for each class and to proactively interact with both the instructor and other students. They should read all relevant chapters a few times and make preparation for practice questions as well as participate in class discussion.</p>																																																														
<p>Assessment Methods in Alignment with Intended Learning Outcomes</p>	<table border="1"> <thead> <tr> <th rowspan="2">Specific assessment methods/tasks</th> <th rowspan="2">% weighting</th> <th colspan="6">Intended subject learning outcomes to be assessed (Please tick as appropriate)</th> </tr> <tr> <th>a</th> <th>b</th> <th>c</th> <th>d</th> <th>e</th> <th>f</th> </tr> </thead> <tbody> <tr> <td>Continuous Assessment:</td> <td>50%</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Participation</td> <td>10%</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Mid-term Test</td> <td>25%</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Individual assignment</td> <td>15%</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Final Examination:</td> <td>50%</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Total</td> <td>100 %</td> <td colspan="6"></td> </tr> </tbody> </table>	Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)						a	b	c	d	e	f	Continuous Assessment:	50%							Participation	10%	√	√	√	√	√	√	Mid-term Test	25%	√	√	√	√	√	√	Individual assignment	15%	√	√	√	√	√	√	Final Examination:	50%	√	√	√	√	√	√	Total	100 %						
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	<p>Note: To pass this subject, students are required to obtain Grade D or above in BOTH the Continuous Assessment and Examination components. In addition, the specific requirements on individual assessment components discussed above could be adjusted based on the pedagogical needs of subject lecturers.</p>	
Student Study Effort Expected	Class contact:	
	▪ Lectures & case studies	39 Hrs.
	Student study effort:	
	▪ Reading materials	45 Hrs.
	▪ Midterm Test/ Individual Assignment	45 Hrs.
	Total student study effort	129 Hrs.
Reading List and References	<p>Textbook <i>Ross, Westerfield, Jaffe, Lim, Tan and Wong Corporate Finance, (Asia Global Edition), McGraw-Hill. (ISBN: 1259011836)</i></p> <p>References <i>Palepu, Healy, & Peek, Text and Cases Business Analysis and Valuation IFRS edition Second Edition South-Western CENGAGE Learning .</i></p>	