

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

**School of Economics and Finance  
FINA0304/FINA2312 – Advanced Corporate Finance**

<b>GENERAL INFORMATION</b>	
<p>Instructor: Prof. Keith K.P. Wong</p> <p>Email: kitpongwong@hku.hk</p> <p>Class: semester 1: Monday 14:30-17:20 in CYPP3            Consultation time: 2:00pm to 3:00pm, Tuesday</p> <p>Tutor: TBA            Pre-requisites: ECON1001/ECON1210 Introductory microeconomics; and FINA1003/FINA1310 Corporate Finance            Co-requisites: None            Mutually exclusive: None</p> <p>Course Website: The HKU Moodle site (through the student's HKUPORTAL login)</p>	
<b>COURSE DESCRIPTION</b>	
<p>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.</p>	
<b>COURSE OBJECTIVES</b>	
<ol style="list-style-type: none"> <li>1. To understand discounting and compounding, valuation of bonds and stocks, pricing options and derivatives, capital budgeting, capital structure, and real options.</li> <li>2. To study the economics of asymmetric information and agency problems in the context of corporate finance.</li> <li>3. To prepare students for their next level courses in corporate finance and related disciplines.</li> </ol>	
<b>COURSE LEARNING OUTCOMES</b>	
<b>Course Learning Outcomes</b>	<b>Aligned Faculty Goals</b>
CLO1 Analyze the synthesis of modern asset pricing and corporate finance.	Goals 1 and 2
CLO2 Compare and contrast real options analysis with traditional valuation methods.	Goals 1 and 2
CLO3 Evaluate the effects of information and agency conflicts on corporate financial decisions.	Goals 1 and 2

COURSE TEACHING AND LEARNING ACTIVITIES			
Course Teaching and Learning Activities		Expected contact hour	Study Load (% of study)
T&L1. Lectures  Instructors will give lectures on major concepts and issues.		33	33
T&L2. 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		11	11
T&L3. Consultation  Both instructor and teaching assistant hold weekly consultation hours to answer students' questions.		2	2
T&L4. Homework (biweekly)		16	16
T&L5. Self-Study		38	38
Total		100	100%
Assessment Methods	Weights (Option 1)	Weights (Option 2)	Aligned Course Learning Outcomes
A1. Mid-term Test	30%	N/A	CLO1, 2, 3,
A2. Homework	10%	N/A	CLO1, 2, 3
A3. Final Exam	60%	N/A	CLO1, 2, 3
Total	100%		
<p>Remarks:</p> <p><u>Lecture Notes:</u> Hard copy of lecture notes will <b>not</b> be provided. Students should download the materials themselves from the course webpage at HKU Moodle.</p> <p><u>Homework Assignments:</u> Biweekly assignments have to be finished on individual student basis.</p> <p><u>Mid-term and Final Examinations:</u> There will be respectively one mid-term test and final exam to test the students' understanding of the course topics. Students who absented from the mid-term test without prior approval from the instructor will receive zero score; while approved students can transfer their mid-term weight to the final examination.</p>			
STANDARDS FOR ASSESSMENT			
Course Grade Descriptors			
A+, A, A-	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, B-</b>	Strong evidence of the ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis.
<b>C+, C, C-</b>	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
<b>D+, D</b>	Evidence of basic familiarity with the subject.
<b>F</b>	Little evidence of basic familiarity with the subject.

### Assessment Rubrics for Each Assessment

#### A1 Assignments: for numerical questions/homework, please refer to the following table:

<b>A+ A A-</b>	<b>B+ B B-</b>	<b>C+ C C-</b>	<b>D+ D</b>	<b>F</b>
Questions are answered with thorough steps and excellent accuracy.	Questions are answered with adequate steps and good accuracy.	Questions are answered with some steps and fair level of accuracy.	Questions are answered with few steps and accuracy.	Questions are badly attempted: no steps and wrong results. Or the assignment is not submitted.

#### A2 Midterm and Final Exam

Mid-term test and final examination contain both qualitative and quantitative type questions

### COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE

<u>Date</u>	<u>Topic</u>	<u>Reading</u>
September 5	Discounting and Compounding	
September 12	Valuation of Bonds and Stocks	
September 19	Pricing Options and Derivatives	
September 26	Pricing Options and Derivatives	
October 3	Valuation of Corporate Securities	
October 24	Mid-Term Test	
October 31	Real Options	
November 7	Capital Structure	
November 14	Incentives and Capital Structure	
November 21	Information and Capital Structure	
November 28	Review	

**REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS** (e.g. journals, textbooks, website addresses etc.)

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

Berk, Jonathan and Peter DeMarzo, 2014. *Corporate Finance* (3<sup>rd</sup> ed.). New York, NY: Pearson.

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

#### **MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE**

- Conducting the SETL survey at the end of the semester

#### **COURSE POLICY (e.g. plagiarism, academic honesty, attendance, etc.)**

##### **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**.

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 involved.

##### **Class Decorum**

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