Subject Description Form

Subject Code	AF3311
Subject Title	Finance
Credit Value	3
Level	3
Pre-requisite / Co-requisite/ Exclusion	None
Role and Purposes	This subject aims to introduce to students a range of basic concepts and ideas in modern finance. After completing this subject, the participants should know the principles involved in making investment and financing decisions, understand the functions of financial markets and financial managers, and acquire a basic knowledge of option pricing and financial planning. This foundation prepares students for more in-depth studies at a later stage
Subject Learning Outcomes	Upon completion of the subject, students will be able to: a. Understand the role of financial managers and the functions of the financial market; b. Understand the concept of present value and its applications in investment appraisal; c. Understand the risk-return relation and the determination of cost of capital; d. Acquire a broad knowledge of financing decision-making under uncertainty and under conditions of market imperfection; e. Apply basic finance theory to solve practical problems.
Subject Synopsis/ Indicative Syllabus	**Fundamental Concepts** Goals of management, functions of the financial system, financial statement analysis and financial planning, asymmetric information, agency problem. **Value** Opportunity cost, discounted cash flow analysis, nominal and real interest rates, future value, present value, net present value, principles of valuation. **Risk and Return** Portfolio theory, systematic and unsystematic risks, asset pricing, risk/return trade-off, capital budgeting under uncertainty. **Market Efficiency** Competition, sources of information, weak form efficient market hypothesis, semi-strong form efficient market hypothesis, strong form efficient market hypothesis, evidence of market efficiency, implications of market efficiency for financial decision-making. **Dividend Policy and Capital Structure** Dividend policy, leverage, capital structure, weighted average cost of capital.

<table>
<tr><td></td><td>Options
Option-pricing theory, spotting and valuing options, real options.</td></tr>
<tr><td>Teaching/Learning Methodology</td><td>This class can be seen as an introductory finance class to students with applied mathematics background. Beside application of mathematics and numerical methods to finance, students are also required to understand how financial decisions are to be made.</td></tr>
<tr><td>Assessment Methods in Alignment with Intended Learning Outcomes</td><td>
<table>
<tr><td rowspan="2">Specific assessment methods/tasks</td><td rowspan="2">% weighting</td><td colspan="5">Intended subject learning outcomes to be assessed (Please tick as appropriate)</td></tr>
<tr><td>a</td><td>b</td><td>c</td><td>d</td><td>e</td></tr>
<tr><td>Continuous Assessment</td><td>50%</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>1. Classroom participation – 20%</td><td></td><td>√</td><td>√</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>2. Midterm Examination – 30%</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></tr>
<tr><td>Total</td><td>100 %</td><td colspan="5"></td></tr>
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To pass this subject, students are required to obtain Grade D or above in <u>both</u> the Continuous Assessment and Examination components.
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<tr><td>Student Study Effort Required</td><td>
<table>
<tr><td>Class contact:</td><td></td></tr>
<tr><td>▪ Lectures</td><td>28 Hrs.</td></tr>
<tr><td>▪ Tutorials</td><td>14 Hrs.</td></tr>
<tr><td>Other student study effort:</td><td></td></tr>
<tr><td>▪ Homework</td><td>14 Hrs.</td></tr>
<tr><td>Total student study effort</td><td>56 Hrs.</td></tr>
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Reading List and References	Textbook: ***Main Text:*** • Ross,S.A., R.W. Westerfield and B.D Jordan, *Corporate Finance Fundamentals*, 7th Edition. McGraw-Hill, 2007 ***Optional text:*** • Ross, S.A., R.W. Westerfield and J. Jaffe, Corporate Finance, 7th Edition, McGraw-Hill, 2005. • Bodie, Z. and R.C. Merton, *Finance*, Prentice-Hall, 2000.