



北京大学 汇丰商学院  
Peking University HSBC Business School

## Asset Valuation Theory

2017 Spring M3

### Syllabus

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**Instructor:** Chang Y. Ha, Ph.D.

**Office:** PHBS 648

**Class Hours:** Tue./Fri. 3:30 pm – 5:20 pm

**Office Hours:** Tue./Fri. 1:30 pm – 2:30 pm & by appointment

**Class Location:** PHBS 229

**Tel:** 755-2603-3651

**Email:** cyha@phbs.pku.edu.cn

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### COURSE DESCRIPTION

This course is an introduction to various important fundamentals of asset/firm valuation, which is essential for sound financial decision making by firms and investors alike. The primary goal of this course is to provide students with understanding of a wide range of key concepts and analytical tools in valuation arena. Topics include valuation principle, risk and return analysis, optimal portfolio choices, valuation models of financial assets such as stocks and bonds, cost of capital, financial statement analysis, efficient market and market anomalies, etc.

### LEARNING OUTCOMES

- Understand the key concepts and ideas underlying financial market functioning and asset valuation.
- Learn various valuation models that are instrumental for effective financial management and decision making.
- Acquire the skills necessary to apply those concepts and tools to real-world practice.

## **PREREQUISITES**

There are no particular course prerequisites. However, you are expected to have a sound grasp of financial economics and financial accounting at least at a senior undergraduate level.

## **REQUIRED TEXT**

Brown and Reilly, “Analysis of Investment and Management of Portfolios”, South-Western Cengage Learning, 9th ed.

## **LECTURES/ CALCULATOR**

A significant amount of material will be covered in each class. Lectures will go beyond the scope of the textbook for some topics. Furthermore, lectures will often involve working through problems, which will help you better learn how to approach and analyze the topics. Therefore, you are strongly encouraged to attend each and every class. If you are unable to attend a class, you must provide me with a written justification in advance. Also it is your responsibility to catch up on the unattended lecture. Absence in two or more lectures will result in a failure for the final grade.

## **HOMEWORK**

There will be problem sets regularly assigned and due one week after. No late assignments or e-mail submissions will be accepted. Homework must be submitted at the start of class on the due date. Homework assignments must be done individually; however, discussions with your classmates are strongly encouraged while your work must not be a carbon copy of theirs. Any violation will be treated as a violation of the honor code.

## **EXAMINATIONS**

Two closed-book exams will be scheduled in class. Absence from any exam at the scheduled time will result in a grade of zero unless documented justification is provided (e.g., of an illness). Make-ups will NOT be given. Any student who cannot attend an exam must contact me at the earliest possible time **PRIOR TO** the exam.

## **ASSESSMENT**

Midterm Exams	30%
Final Exam	50%
Homework	10%
Class Attendance/Participation	10%

## **EMAIL POLICY**

1. I only reply to PHBS email accounts that indicate the course name in the subject line.
2. I reply to emails during regular work hours in the week. I may or may not reply to emails at other times.

## **CLASS PARTICIPATION AND IMPROPER BEHAVIOR**

There will be frequent classroom discussions and your participation/demeanor will be counted toward an overall participation score. Improper behavior such as coming late, leaving early, and snoring in class or inappropriate computer usage in class such as e-mailing, instant messaging, web surfing, and unrelated computer use will not be allowed during class time. It is distracting to both your classmates and the instructor.

## **STUDENT IDENTIFICATION REQUIRED FOR EXAMINATIONS**

Student ID should be visible at all times during the examination. Students without photographic ID may not be allowed to sit the examinations.

It is the students' responsibility to ensure that they are aware of the university rules concerning their degree and meet the assessment criteria in this subject. Failure to read this document, to receive announcements in class, or to sit examinations does not mean that further assessment is automatically granted.

## **ACADEMIC MISCONDUCT**

Please familiarize yourself with what constitutes plagiarism, which breaks down the academic integrity policies set by PKU. I expect that the in-class examinations will be your own individual work effort. Students caught plagiarizing will be punished as severely as the school permits.

The following are some of the actions that have resulted in students being found guilty of academic misconduct in recent years:

1. taking unauthorized materials into an examination;
2. submitting work for assessment knowing it to be the work of another person;
3. improperly obtaining prior knowledge of an examination paper and using that knowledge in the examination;
4. failure to acknowledge the source of material in an assignment.

## COURSE SCHEDULE (Tentative):

Week	Topic(s)	Tests
1	Accounting basics; Introduction to finance	
2	Basics of investments; Risk and Return; Capital market efficiency	
3	Markowitz Portfolio Theory; SML: CAPM	
4	CAPM; Arbitrage Pricing Theory	
5	Common Stock Valuation Models : DCF and Ratio Analysis	Midterm: Mar. 21
6	Common Stock Valuation Models : Security Analysis	
7	Fixed Income Security Valuation	
8	Continue Fixed Income valuation; Begin Options	
9	Options	
<b>Final Exam</b>	Final Exam (Cumulative)	

Week	Days and Dates	Text Book Chapter	Test Date
1	Tue (Feb 21) and Fri (Feb 24)	Ch. 1	
2	Tue (Feb 28) and Fri (Mar 3)	Ch. 1, 6,	
3	Tue (Mar 7) and Fri (Mar 10)	Ch. 7, 8	
4	Tue (Mar 14) and Fri (Mar 17)	Ch. 8, 9	
5	Tue (Mar 21) and Fri (Mar 24)	Ch. 10 (and 12-14)	<b>Midterm: Mar. 21 in class</b>
6	Tue (Mar 28) and Fri (Mar 31)	Ch. 11 (and 12-14)	
7	Tue (Apr 5) and Fri (Apr 7)	Ch. 18	<b>Apr 4 class moved</b>
8	Tue (Apr 11) and Fri (Apr 14)	Ch. 19, 20	
9	Tue (Apr 18) and Fri (Apr 21)	Ch. 21-23	
<b>Final Exam</b>		CUMULATIVE	<b>Final Exam</b>

## Chapter Reference in my edition of the course textbook

Part	Chapter	Title
<b>1</b>		<b>The Investment Background</b>
	<b>1</b>	The Investment Setting
<b>2</b>		<b>Developments in Investment Theory</b>
	<b>6</b>	Efficient Capital Markets
	<b>7</b>	An Introduction to Portfolio Management
	<b>8</b>	An Introduction to Asset Pricing Models
	<b>9</b>	Multifactor Models of Risk and Return
<b>3</b>		<b>Valuation Principles and Practices</b>
	<b>10</b>	Analysis of Financial Statements
	<b>11</b>	An Introduction to Security Valuation
<b>4</b>		<b>Analysis and Management of Common Stocks</b>
	<b>12</b>	Macro-analysis and Micro-valuation of the Stock Market
	<b>13</b>	Industry Analysis
	<b>14</b>	Company Analysis and Stock Valuation
<b>5</b>		<b>Analysis and Management of Bonds</b>
	<b>18</b>	The Analysis and Valuation of Bonds
<b>6</b>		<b>Derivative Security Analysis</b>
	<b>20</b>	An Introduction to Derivative Markets and Securities
	<b>22</b>	Option Contracts