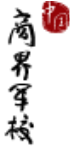




**PHBS**

北京大学汇丰商学院



# FIN 49

## Asset Valuation Theory

### Module 1, 2021-2022

#### Course Information

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**Instructor: Chang Y. HA**

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Email: cyha@phbs.pku.edu.cn

Office Hours: Mon. and Thur. 13:00-14:30 and by appointment

**Teaching Assistant:** TBA

**Classes:**

Lectures: Monday & Thursday 10:30-12:20

Venue: PHBS Building, Room TBA

**Course Website:**

[https://cms.phbs.pku.edu.cn/claroline/course/index.php?cid=FIN49\\_005](https://cms.phbs.pku.edu.cn/claroline/course/index.php?cid=FIN49_005)

#### Course Description

##### 1.1 Context

**Course overview:**

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.

**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.

##### 1.2 Textbooks and Reading Materials

1. Brown and Reilly, "Analysis of Investment and Management of Portfolios", South-Western Cengage Learning, 10th ed.
2. Fritz Koger, "Asset Valuation Theory", Peking University Press, 1<sup>st</sup> ed.  
(<https://weidian.com/item.html?itemID=2563297683>)

# 1. Learning Outcomes

## 2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (YES with details or NO)
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	
	2.2. Students will be able to apply leadership theories and related skills.	
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	
	3.2. Our students will practice ethics in the duration of the program.	
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	
	5.3. Our students will demonstrate competency in critical thinking.	

## 2.2 Course specific objectives

Students will be able to understand the main concepts and techniques underlying valuation of various financial assets and apply those concepts and skills to their own research. In particular, the course is designed such that they will be able to:

- understand the key concepts and ideas underlying financial market functioning and financial 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.

## 2.3 Assessment/Grading Details

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

## **IN-CLASS PARTICIPATION**

A significant amount of material will be covered in each class. Lectures will often go beyond the scope and depth of the textbooks. Therefore, you are strongly encouraged to attend each and every class and actively participate in the class discussions. 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 missed lecture. Absence in two or more lectures will result in a failure for the final grade.

## **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. Cell phones are not allowed as calculators. No cheat sheet is allowed in either exam.

## ***2.4 Academic Honesty and Plagiarism***

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

## 2. Topics, Teaching and Assessment Schedule

### COURSE SCHEDULE (Tentative):

<b>Week</b>	<b>Topics</b>	<b>Remark</b>
<b>1</b>	Accounting basics; Introduction to finance	Ch. 1
<b>2</b>	Basics of investments; Risk and Return; Capital market efficiency	Ch. 1, 6
<b>3</b>	Markowitz Portfolio Theory; SML: CAPM	Ch. 7, 8
<b>4</b>	CAPM; Arbitrage Pricing Theory	Ch. 8, 9
<b>5</b>	Stock Valuation Models : DCF and Ratio Analysis	Midterm Exam: Ch. 10 (and 12-14)
<b>6</b>	Stock Valuation Models : Security Analysis	Ch. 11 (and 12-14)
<b>7</b>	Fixed Income Security Valuation	Ch. 18
<b>8</b>	Continue Fixed Income valuation; Options	Ch. 19, 20
<b>9</b>	Options, Futures, and Hedging strategies	Ch. 21-23
<b>Final Exam</b>	Final Exam: Nov. 15th	

## Chapter Summary: Brown and Reilly, 10<sup>th</sup> Ed.

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>17</b>	Bond Fundamentals
	<b>18</b>	The Analysis and Valuation of Bonds
	<b>19</b>	Bond Portfolio Management Strategies
<b>6</b>		<b>Derivative Security Analysis</b>
	<b>20</b>	An Introduction to Derivative Markets and Securities
	<b>20</b>	Forward and Futures Contracts
	<b>22</b>	Option Contracts and Hedging strategies