



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 332H1F - Capital Market Theory - Fall 2014

Course Meets:

L0201 - Mondays / 2:00pm-4:00pm / WO 35 (Woodsworth College Residence - 321 Bloor Street West)

L0301 - Tuesdays / 9:00am-11:00am / WO 20 (Woodsworth College Residence - 321 Bloor Street West)

Instructor: Otto Yung

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Office Hours: Mondays / 5:30pm-7:30pm / 105 St. George Street (Rotman - PhD House - Room 3050)

Office Hours: Availability on other days and times of the week (Appointment Only)

Course Scope and Mission

This is an introductory course of finance. The course provides an introduction to the capital market as well as a framework for analyzing the major types of investment and financial decisions made by investors. Lectures and readings will provide an introduction to present value techniques, pricing of stocks and bonds, portfolio theory, and the operation and efficiency of financial markets.

Course Co-Requisite:

- ECO204Y1/ECO206Y1, ECO220Y1/ECO227Y1/(STA255H1, STA220H1)/(STA257H1, STA261H1)
- If you drop one of these co-requisite courses during the academic term, you must also drop this course. Contact Rotman Commerce Academic Program Services for academic advising if needed.

Exclusion:

- ACT349H1, ECO358H1, MGT3371

Required Readings:

- L. Booth, and W.S. Cleary, **Introduction to Corporate Finance**, 3rd Edition, John Wiley & Sons Canada, 2013 (BC, ISBN: 978-1-118-30076-3)

Optional Texts Recommended for this Course:

- T. E. Copeland, J.F. Weston, and K. Shastri, **Financial Theory and Corporate Policy**, 4th Edition, Addison-Wesley, 2004 (ISBN: 0-32-112721-8)
- C. Holden, **Excel Modeling and Estimation in Corporate Finance**, 4th Edition, Prentice Hall, 2011 (ISBN: 0-13-249784-0)
- B. Malkiel, **A Random Walk Down Wall Street**, 10th Edition, Norton, 2012 (ISBN: 0-39-334074-0)

Rotman Commerce Timetables and Enrolment Information

- http://www.artsandscience.utoronto.ca/ofr/calendar/crs_rsm.htm

COURSE REQUIREMENTS AND GRADING

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he or she has command of the course materials.

Work Type	Deliverable	Weighting	Due Date (L0201) (L0301)
Individual	Problem Set #1	2.5%	Week 4 - Sept 29th (L0201) or Sept 30th (L0301)
Individual	Problem Set #2	2.5%	Week 6 - October 14th (L0201 / L0301)
Individual	Midterm	35%	Week 6 - October 17th - (Friday)
Individual	Problem Set #3	2.5%	Week 10 - Nov 10th (L0201) or Nov 11th (L0301)
Individual	Problem Set #4	2.5%	Week 12 - Dec 1st (L0201) or Dec 2nd (L0301)
Individual	Final Exam	55%	Faculty of Arts & Science Final Exam Period

Additional Notes:

Midterm & Final Exam

- There will be one midterm counting for 35% and one final examination counting for 55% of the course grade. For the examinations, you are allowed to bring in a calculator and an 8½" x 11" single-sided "crib" sheet on which you may write down whatever you wish. If the crib sheet is typed or contains photocopied materials, the font size has to be 10 point or larger. If you miss an examination, it is important that you inform me and the commerce office right away. In case you miss the examination for legitimate reasons, a makeup test will be given.

Problems Sets

- In addition, there will be four problem sets, covering different topics in the course. Doing these problem sets is essential to obtain a good understanding of the course materials. These problem sets are to be turned in and graded (each problem set will receive a grade of 0-4, where 0 gets no credit and 4 gets 100% credit). The four problem sets count for 10% of the final grade and they will be important determinants in borderline cases. You are encouraged to work in groups on the problem sets. You should, however, independently write up your own assignment.
- **Please submit a cover page with the problem set (see the course portal to obtain the template)**
- Except for unusual circumstances, grades on homework assignments are final and re-grading requests will not be accepted

Tutorial

- Thomas Tang (E-Mail: shengzhe.tang11@rotman.utoronto.ca), the lead TA for the course, will hold three weekly tutorials (dates/times - TBA). Thomas will maintain a website, <http://332ta.raykan.com>, where he will post some useful material (including old exams).

WEEKLY SCHEDULE (APPROXIMATE) - SECTIONS L0201 (MONDAYS) AND L0301 (TUESDAYS)

Session	Topic	Readings
Week 1 – Sept 8 / Sept 9	Introduction - Financial Accounting (Review)	Ch. 1, 2, 3 and 4.1-4.7
Week 2 – Sept 15 / Sept 16	Financial Markets and Net Present Value (Fisher's Separation Theorem)	Chapter 1 (Copeland, Weston and Shastri)
Sunday, September 21 st – Deadline to enroll in F section code courses		
Week 3 – Sept 22 / Sept 23	Present Value Concepts (Math and Application of PV)	Chapter 5
Week 4 – Sept 29 / Sept 30	Bond Valuation and Term Structure Theory Bonds and term structure of interest rates	Chapter 6 (ex. appendix)
Week 5 – Oct 6 / Oct 7	Valuation of Stocks Common stock valuation & growth opportunities	Ch. 4.8 - 4.9 and 7
Friday, October 10 th – Final Examination Timetable Posted		
TBA - Extended Office Hours (Optional Review for Midterm)		
Week 6	Midterm (Friday, October 17th)	Location and Time (TBA)
Week 7 - Oct 20 / Oct 21	Risk and Return Trade-off between risk and return, Statistics review	Chapters 8.1-8.3, 8.5
Week 8 – Oct 27 / Oct 28	Portfolio Theory - Portfolio mathematics, Diversification and Efficient portfolios	Chapters 8.4 and 9.1 Appendix 8.A
Monday, November 3 rd – Last Day to Withdraw from F Courses		
Week 9 – Nov 3 / Nov 4	Capital Asset Pricing Model	Chapters 9.2-9.3
Week 10 – Nov 10 / Nov 11	Arbitrage Pricing Theory - Factor models	Chapter 9.4
Monday (November 17) and Tuesday (November 18) – Study Break (No Class)		
Week 11 – Nov 24 / Nov 25	Operation and Efficiency of Capital Markets	Chapter 10
Week 12 – Dec 1 / Dec 2	Course Review	
TBA - Extended Office Hours (Optional Review for Final Exam)		
FINAL EXAM	TBA (December 8 th – December 19 th)	

Missed Tests and Assignments (including midterm examinations)

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Program Office within **48 hours** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a report of illness made by the student and documented by the physician.

For information regarding missed midterms please see page 2.

Late Assignments

Late submissions are not accepted. Except for unusual circumstances, grades on homework assignments are final and regrading requests will not be accepted.

Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments.

Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: disability.services@utoronto.ca or <http://www.accessibility.utoronto.ca/>.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

The University of Toronto's Code of Behaviour on Academic Matters

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

Email

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTMail+email address. You are responsible for ensuring that your UTMail+email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Blackboard and the Course Page

The online course page for this course is accessed through Blackboard. To access the course page, go to the UofT Portal login at <https://portal.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help, or explore the Portal Information and Help at www.portalinfo.utoronto.ca/students and review the Frequently Asked Questions.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Blackboard materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

COURSE FORMAT AND EXPECTATIONS

For Written Assignments:

Please note that clear, concise, and correct writing will be considered in the evaluation of Problems Sets 1, 2, 3 and 4. That is, you may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre (www.asc.utoronto.ca) or one of the College Writing Centres (www.writing.utoronto.ca/writing-centres). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

To Use Turnitin.com: (TBD)

Normally students will be required to submit their course essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the university's use of the Turnitin.com service are described on the Turnitin.com website.