Course Outline

RSM 332H1F L5301
Capital Market Theory
Fall 2016
Course Meets: Wednesdays 6:00pm to 8:00pm in SS1084 [see detailed schedule on page 4 for exceptions]

Instructor: Harry G. G. Burke
E-Mail: harry.burke@alumni.utoronto.ca
Course website: https://portal.utoronto.ca
Office Hours: Wednesday 8:00pm – 9:00pm and by appointment, more around exams

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 Prerequisites
Exclusion: ACT349H1, ECO358H1
Co-requisite: ECO204Y1/ECO206Y1, ECO220Y1/ECO227Y1/[STA220H1, STA255H1]/[STA257H1, STA261H1]
If you drop any of the co-requisite courses during the academic term, you must also drop this course. Contact Rotman Commerce Academic Program Services for academic advising if needed.

Required Readings
The required textbook will be referred to as BCR:

Three optional texts are recommended for this course:

Evaluation and Grades

Work            Due Date[s]
4 graded Problem Sets  4*2.5% = 10%     Oct 5th, Oct 19th, Nov 16th, Nov 30th by 6:10pm
Mid Term Exam       35%               Tuesday October 25th 8:00pm – 10:00pm in EX100
Final Exam          55%               TBA by FAS, date range is Dec 9th to Dec 20th
Evaluation and Grades – More Detail
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 8.5 × 11 inch single-sided ‘crib’ sheet on which you may write down whatever you wish. If the sheet is typed or contains photocopied materials, the font size has to be 10 point or larger. The calculator cannot be capable of storing text and cannot have graphing functions.

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 must, however, independently write up your own assignment. Assignments are due at the start of the class and late ones are not accepted. Except for unusual circumstances, grades on homework assignments are final and re-grading requests will not be accepted.

Tina Tan [E-mail: xiaole.tan14@rotman.utoronto.ca], the lead TA for the course, will hold three weekly tutorials. Time and locations are TBA.

The first tutorial will be on September 21 and the last one will be on Dec. 9. Tina will maintain a website, 332ta.raykan.com, where useful materials will be posted [including old exams]

Missed Midterm
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.

Students who miss the midterm due to illness and have provided the necessary documentation as outlined above will be granted a make-up midterm.

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: accessibility.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, respectively, 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 test and 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 not is 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 http://www.portalinfo.utoronto.ca/content/information-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.
The approximate lecture schedule and important dates for the course are as follows:

<table>
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<tr>
<th>Session</th>
<th>Date/Location</th>
<th>Topic</th>
<th>Readings, etc.</th>
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| 01      | Wednesday September 14th in room SS1084 | Introduction | BCR 1, 2  
Optional: BCR 3, 4.1 - 4.7 |
| 02      | Wednesday September 21st in room SS1084 | Financial Markets and Net Present Value [Fisher's Separation Theorem] | Optional: Supplementary notes |
| 03      | Wednesday September 28th in room SS1084 | Present Value Concepts | BCR 5 |
| 04      | Wednesday October 5th in room SS1084 | Bond Valuation and Term Structure Theory | BCR 6 [excluding appendix]  
BCR Appendix 11a  
Optional: Howard Marks 2006/07/12 you can't eat IRR |
| 05      | Wednesday October 12th in room SS1084 | Valuation of Stocks  
*after class: guest speaker Michael Hlinka* | BCR 4.8, 4.9, 7 |
| 06      | Wednesday October 19th in room SS1084 | Risk and Return | BCR 8.1, 8.2, 8.3, 8.5  
Optional: Stats Review  
Optional: Be unmoved by markets [By Geoff MacDonald, EdgePoint 2013 q3 commentary] |
| 07      | Tuesday October 25th in room EX100 | MIDTERM EXAMINATION | 8:00pm to 10:00pm  
covers sessions 01 to 05 inclusive |
| 08      | Wednesday November 2nd in room SS1084 | Portfolio Theory | BCR 8.4, appendix 8A, 9.1  
Optional: Commercializing biomedical research through securitization techniques  
Optional Video: Can Financial Engineering Cure Cancer? [By Andrew Lo]  
https://www.youtube.com/watch?v=xu86bYKVmRE |
| 09      | Wednesday November 9th in room SS1084 | Capital Asset Pricing Model | BCR 9.2, 9.3  
Optional: Howard Marks 2013/03/13 The Outlook for Equities |
| 10      | Wednesday November 16th in room SS1084 | Arbitrage Pricing Theory | BCR 9.4 |
| 11      | Wednesday November 23rd in room SS1084 | Capital Market Efficiency  
*after class: guest speakers Derek Bastien & Brooke Biscoe* | BCR 10  
Optional: Howard Marks 2014/01/16 Getting Lucky |
| 12      | Wednesday November 30th in room SS1084 | Course Review | Optional: your choice! |
| ***     | TBA by FAS. Date range is from December 9th to 20th | FINAL EXAMINATION | Covers the entire course |