



# Rotman Commerce UNIVERSITY OF TORONTO

## Course Outline

### RSM332H1F, L5101 and L5201

Capital Market Theory

Summer 2018

Course Meets: Tues/Thurs 5-7pm (L5101) and Tues/Thurs 7-9pm (L5201) – in SS 1071

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Will likely be held after class 9-10pm in SS1071, to be confirmed Week 1.

### 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

Corequisite: [ECO204Y1/ECO206Y1](#), [ECO220Y1/ECO227Y1](#)/[STA220H1](#),  
[STA255H1](#)/[STA257H1](#), [STA261H1](#))

Exclusion: [ACT349H1](#), [ECO358H1](#)

Distribution Requirements: Social Science

Breadth Requirements: Society and its Institutions (3)

*If you drop any of co-requisite courses during the academic term, you must also drop this course. Contact Rotman Commerce Academic Program Services for academic advice if needed.*

### Required Readings

The required textbook is:

L. Booth, and W. S. Cleary, Introduction to Corporate Finance, 4th edition, John Wiley & Sons Canada, 2016 (BC, ISBN: 978-1-119-17128-7).

### Optional Texts

- 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 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).

## Evaluation and Grades

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.

<u>Work</u>		<u>Due Date</u>
Quizzes (2)	10%	before Class on May 22 and June 12
Midterm	35%	May 29, 2018
Final Exam	55%	During A&S Final Examination period

The use of a hand-held financial calculator that has Time Value of Money functions is strongly recommended for this course. Some examples of calculators you may wish to purchase include: Texas Instruments BAII Plus (will be used in class, and demonstrated in the textbook), Sharpe EL 733A (or later), or Hewlett Packard HP10. The use of a non-programmable calculator will be permitted in the quizzes and exams. A formula sheet will also be provided in tests and exams.

The quizzes will be about 45 minutes each and held during class time. They will consist of 3 to 6 shorter problems and will focus on material covered in class during the previous 2 weeks. The only permitted aid is a nonprogrammable calculator. A formula sheet will be provided. The midterm test will be held during the lecture timeslot on May 29, 2018. A common midterm will be held between both sections of the course. The timing and location is still to be determined, but will be announced as soon as available. The test will be 1 hour and 50 minutes and will consist of problems based on material covered up until and including the previous class. It may also include some multiple choice questions.

The only permitted aid is a non-programmable calculator. A formula sheet will be provided. For both the quizzes and the midterm test, students should be prepared to answer questions that are conceptual, quantitative and/or descriptive.

### 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.

Documentation submitted in support of petitions for missing tests and assignments must be original; no faxed or scanned copies will be accepted.

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](mailto:accessibility.services@utoronto.ca) or <http://www.studentlife.utoronto.ca/as>.

## **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 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.

## **Student Learning**

Regular problem solving throughout the course is necessary to master the course content, and such activity is explicitly incorporated in the course design (both through in-class problem solving and through recommended problems to be solved out of class). These problems will not be handed in or graded, but students are strongly encouraged to complete them on a weekly basis to solidify their understanding of the material.

## **Lectures**

Regular attendance and active participation (by asking questions and contributing to discussions) are very strongly encouraged. Students will benefit greatly by having read the assigned readings before each class. Not all material covered in the text book will necessarily be discussed in the lectures, but students are responsible for all assigned readings. Additional learning materials may be discussed and/or distributed in class and/or on Blackboard; students are also responsible for this material.

## **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 additional Portal Information for Students at <http://portalinfo.utoronto.ca/content/information-students>.

## **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.

## **Standard of Conduct in this Course**

Since this course is part of a degree designed to give you a broad understanding of the world of business, we aim to run the course in a way which will be consistent with the world of business - where many of you will spend your working lives. We strive to provide accurate information, quality materials and good service, consistent with our obligations to maintain the high academic standards of Rotman Commerce at the University of Toronto.

In return we expect that you will conduct yourself in a way that prepares you for the world of work.

1. We start on time, so please do not arrive late and disrupt others.
2. Leaving class early is also disruptive to your colleagues and will not be permitted unless you have made prior arrangements with the instructor.

3. Turn off your cell phone.
4. Keep up to date. Make sure that you know the class schedule. Check on the course Blackboard page for updates and posted materials.
5. During the class, respect the learning opportunities of others. Don't distract others by chatting to your neighbour. Our expectation is that you will not only contribute in class to your own learning, but also that of others.

Last day to cancel course without academic penalty: **June 5, 2018.**

The approximate lecture schedule for the course is:

Session	Date	Topic	Readings / Quiz
1	May 8	<b>Introduction</b>	BC (Ch. 1-2) Note: If you need a refreshed of financial accounting, review Ch. 3 and Ch.4.1-4.7 as well.
2	May 10	<b>Financial Statement Analysis</b>	BC (Ch. 4.1 – 4.6)
3	May 15	<b>Present Value Concepts:</b> Mathematics and application of present value	BC (Ch. 5)
4	May 17	<b>Bond Valuation and Term Structure:</b> Introduction to theory and term section of interest rate	BC (Ch. 6, excluding appendix)
5	May 22	<b>Valuation of Stocks:</b> Common stock valuation and growth opportunities	BC (Ch. 4.8, 4.9, and 7) – Quiz #1
6	May 24	<b>Capital Budgeting Decisions and Fisher Separation Theorem</b>	BC (Ch. 13)
7	May 29	<b>MIDTERM</b>	N/A
8	May 31	<b>Risk and Return:</b> Trade off between risk and return, statistics review	BC (Ch. 8.1 – 8.3, and 8.5)
9	June 5	<b>Portfolio Theory:</b> Portfolio mathematics, diversification, efficient portfolio.	BC (Ch. 8.4 and Appendix 8A, and Ch. 9.1)
10	June 7	<b>Capital Asset Pricing Model:</b> Introduction to the CAPM	BC (Ch. 9.2 and 9.3)
11	June 12	<b>Arbitrage Pricing Theory:</b> Factor models and the arbitrage pricing theory.	BC (Ch. 9.4) – Quiz #2
12	June 14	<b>Operation and Efficiency of capital markets.</b>	BC (Ch. 10)
Final Exam	June 20-26		