



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 332H1S Capital Market Theory

Winter 2017

Course meets: **L0101** Tuesday, 2 – 4 p.m., WO 20
L0201 Wednesday, 4 – 6 p.m., WO 20
L0301 Wednesday, 12 – 2 p.m., WW 126

L5101 Monday, 6 – 8 p.m., WO 20
L5201 Tuesday, 6 – 8 p.m., WO 20

Instructor: Kevin Wang, Rotman Room 462
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Phone: 416-946-5059
Office Hours: Wednesday 6pm-8pm (or we can discuss anything right after every class)

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 Exclusions

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

Course Co-requisite

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

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

Required Textbook:

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

Three optional texts are 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 in Investments, 5th edition, Prentice Hall, 2014 (ISBN: 978-0-205-98724-5).
- B. Malkiel, A Random Walk Down Wall Street, 12th edition, Norton, 2016 (ISBN: 978-0-393-35224-5).

Evaluation and Grades

Work	Weighting	Date
Problem Sets	10%	See schedule
Midterm Exam	35%	See schedule
Final Exam	55%	During the Final Exam period

There will be one midterm counting for 35% and one final examination counting for 55% of the course grade. For the exams, you may use a calculator and a single-sided 8.5" × 11" crib sheet on which you may write down anything. If the sheet is typed or contains photocopied materials, the font size must be 10 points or larger.

In addition, there will be two 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.

The problem sets count for 10% of the final grade. Students are encouraged to work in groups of two or three persons on the problem sets (of course, you may work alone if you'd like to or somehow have to). There should be only one submission from each group.

Assignments are due at the start of the designated class. Late submissions will not be accepted. Except for unusual circumstances, grades on homework assignments are final and re-grading requests will not be accepted.

The approximate lecture schedule for the course:

Topic	Date
Introduction: Introduction to the course, BCR (Ch.1–2) (For a refresh of financial accounting, you may review Ch.3 and Ch.4.1–4.7.)	Jan. 9,10,11
Financial Markets and Net Present Value: Fisher’s Separation Theorem	Jan. 16,17,18
Present Value Concepts: Mathematics and application of present value, BCR (Ch.5)	Jan. 23,24,25
Bond Valuation and Term Structure Theory: Bonds and introduction to theory of term structure of interest rates, BCR (Ch.6, excluding appendix; Appendix 11A (only the appendix) of Ch.11.)	Jan. 30, 31, Feb. 1
Valuation of Stocks: Common stock valuation and growth opportunities, BCR (Ch.4.8-4.9, Ch.7)	Feb. 6,7,8
Risk and Return: Trade-off between risk and return, statistics review, BCR (Ch.8.1–8.3)	Feb. 13,14,15
Due date of problem set #1	
Midterm exam Time: 8:00p.m. – 10:00p.m. Location: TBA	Feb. 27
Portfolio Theory: Portfolio mathematics, diversification, efficient Portfolios, BCR (Ch.8.4-8.5, Appendix 8A, Ch.9.1).	Mar. 6,7,8
Capital Asset Pricing Model: Introduction to the CAPM, BCR (Ch.9.2–9.3)	Mar. 13,14,15
Arbitrage Pricing Theory: Factor models and the arbitrage pricing theory, BCR (Ch.9.4)	Mar. 20,21,22
Operation and Efficiency of Capital Markets: Efficient market hypothesis, BCR (Ch.10)	Mar. 27,28,29
Course review Due date of problem set #2	Apr. 3,4,5

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.

Course Web Page

Instead of the Blackboard, I will use a course web page. The link will be provided in the first week to those enrolled. If you enroll after the first week, please email me and I will send you the link.

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.

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.

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, 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.