

# Course Outline

## **RSM 332 H1 F, L0101, L0201**

Capital Market Theory

Summer 2022

Course Meets:

L0101 Tue/Thu 09:00-11:00 WO30

L0201 Tue/Thu 14:00-16:00 WO30

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## Course Scope, Mission and Learning Outcomes

This course provides an introduction to financial markets and lays out the foundation for analyzing the investment and financial decisions made by investors. You will learn about key investment concepts and techniques in the fixed income, equity, and derivatives markets. You will also learn how to create optimal combinations (portfolios) of securities with an emphasis on the trade-off between risk and return. Throughout the course, we will connect the concepts of capital markets in a real-world setting and study the quantitative skills essential to make rigorous financial decisions.

## Course Prerequisites

Exclusion: ACT349H1, ECO358H1

Prerequisite: RSM230H1 Co-requisite: ECO204Y1/ECO206Y1,  
ECO220Y1/ECO227Y1/(STA220H1, STA255H1)/(STA237H1, STA238H1)/(STAT257H1,  
STA261H1)

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

## Required Readings

The required textbook is:

S. A. Ross, R. W. Westerfield, J. F. Jaffe, H. Driss, Corporate Finance, 9th Canadian Edition,  
McGraw-Hill, 2022,

Note that this textbook is the same as that required in RSM230 and RSM333. You can purchase the textbook in hard copy or in digital form. You can also purchase the Connect resources made available by McGraw Hill Education if you would like access to their additional practice questions. The publisher has made available to us a special exclusive deal where your purchase of the textbook includes access to edition updates for FOUR YEARS in digital form. The University of Toronto Bookstore sells hard copies of the text as well as access codes for both the digital copy of the text and the optional Connect resources.

## 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 they have command of the course materials.

Work		Due Date
4 Homework Assignments	10%	See class schedule
Mid-Term Test	30%	May 26 6-8pm
Final Term Test	60%	TBA

## Course Format and Expectations

### Homework Assignments

There are 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. 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.

Xinyi Xia (E-mail: [xinyi.xia@mail.utoronto.ca](mailto:xinyi.xia@mail.utoronto.ca)), the lead TA for the course, will hold weekly online tutorial on Friday 4-6pm. She will answer questions as well as help you with the homework assignments. She will also go over some of the questions from the old exam. Zoom link for the online tutorial will be posted on Quercus.

### Examination

There is a midterm exam worth 30% of the grade, which will cover the material from lectures 1-5. The mid-term will be held on May 26 6-8pm. In addition, a final exam worth 60% of the final grade will be scheduled by the Rotman Commerce during the final assessment period. Both examinations are closed book and the material is comprehensive, covering all the course material, e.g., lecture notes, assignments, etc. 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.

### Missed Mid-term

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may request special consideration.

In such cases, students must:

1. Notify the instructor AND the Rotman Commerce Program Office **on the date** of the missed course deliverable, e.g. missed test, final assessments, assignment.
2. Complete a [Request for Special Consideration Form](#) and submit it along with your Absence Declaration on [ACORN](#) (please read the instructions on how to use the Absence Declaration in ACORN) within **2 business days** of the originally scheduled course deliverable.

Students who do not provide this information will be given a grade of 0 (zero) for the missed 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 mid-term due to illness and have provided the necessary documentation as outlined above will be granted a make-up midterm.

## Statement on Equity, Diversity and Inclusion

The University of Toronto is committed to equity, human rights and respect for diversity. All members of the learning environment in this course should strive to create an atmosphere of mutual respect where all members of our community can express themselves, engage with each other, and respect one another's differences. U of T does not condone discrimination or harassment against any persons or communities.

## Commitment to Accessibility

The University is committed to inclusivity and accessibility, and strives to provide support for, and facilitate the accommodation of, individuals with disabilities so that all may share the same level of access to opportunities and activities offered at the University.

If you require accommodations for a temporary or ongoing disability or health concern, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible at [accessibility.services@utoronto.ca](mailto:accessibility.services@utoronto.ca) or [studentlife.utoronto.ca/as](http://studentlife.utoronto.ca/as). Obtaining your accommodation letter may take up to several weeks, so get in touch with them as soon as possible. If you have general questions or concerns about the accessibility of this course, you are encouraged to reach out to your instructor, course coordinator, or Accessibility Services.

## Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarship at the University of Toronto. Participating honestly, respectfully responsibly and fairly in this academic community ensures that the U of T 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](#) 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 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 U of T or RC resources such as the RC Centre for Professional Skills, the 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 U of T 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 ACORN. For more information visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Gmail or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Gmail 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. Students who have been previously granted permission to record lectures as an accommodation for a disability are excepted. This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission for recording 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 any way. It is forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

## Weekly Schedule

Session	Date	Topic	Readings
1	May 10, 2022	Time value of money	Chapters 4-5
2	May 12, 2022	Fixed Income I	Chapter 6.1-6.3
3	May 17, 2022	Fixed Income II Due date for HW#1	Appendix 6A, Chapter 21.5, Chapter 26.6
4	May 19, 2022	Introduction to Derivatives	Chapter 26.1-26.4, Chapter 23.1-23.5
5	May 24, 2022	Option Pricing Due date for HW#2	Chapter 23.6-23.8
6	May 26, 2022	Mid-term Examination Time: 6-8pm, Location: EX300 (255 McCaul Street)	
7	May 31, 2022	Stock Valuation	Chapter 6.4-6.11
8	June 2, 2022	Risk and Return	Chapter 10, Chapter 11.1-11.4
9	June 7, 2022	Capital Asset Pricing Model Due date for HW#3	Chapter 11.5-11.10
10	June 9, 2022	Multi-factor models	Chapter 12
11	June 14, 2022	Market Efficiency	Chapter 14
12	June 16, 2022	Course Review Due date for HW#4	

**Please note that the last day you can drop this course without academic penalty is June 6, 2022.**

## Other Useful Links

Become a volunteer note taker - [Volunteer Notetaking](#)  
 Accessibility Services – [Note Taking Support](#)  
[Credit / No-Credit in RSM courses](#)  
 Rotman Commerce – [Academic Support](#)