



# Rotman Commerce UNIVERSITY OF TORONTO

## Course Outline

**RSM 332 H1 S, L0101, L0401, L5101, L5201**

### Capital Market Theory

#### Winter 2024

##### Course Meets:

L0101 Monday	13:00 – 15:00 WO	L0401 Wednesday	13:00 – 15:00 SS
L5101 Monday	17:00 – 19:00 WO	L5201 Wednesday	17:00 – 19:00 WO

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Instructor: Kevin Wang  
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Website: <https://q.utoronto.ca>  
Office: RT462  
Office Hours: Friday 4 pm – 5 pm (via Zoom)

### Course Scope and Mission

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

### Course Prerequisites

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

Prerequisite: RSM230H1

Co-requisite: [ECO204Y1/ECO206Y1](#), [ECO220Y1/ECO227Y1](#)/[\(STA220H1, STA255H1\)](#)/[\(STA237H1, STA238H1\)](#)/[\(STA257H1, STA261H1\)](#)

*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 advising if needed.*

### 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.

## Required Technology

For this term, this course will be conducted primarily in-person. However, some components (e.g., tutorials, project presentations) will be conducted online (via Zoom). To participate fully and successfully, you must ensure that you have a computer with a working webcam, microphone and reliable access to an internet connection. For details, visit this link:

[Recommended Technology Requirements for Remote/Online Learning](#)

## Required Readings

The required textbook is: S. A. Ross, R. W. Westerfield, J. F. Jaffe, G.S. Roberts, H. Driss, *Corporate Finance*, 8th Canadian Edition, McGraw-Hill Education, 2019.

Note that this textbook is the same as that required for 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.

The ISBN numbers are: Print package with Connect, 4-year access card: **126033984X \$189.95**

Digital Only Connect, 4-year access: **9781260339420 \$119 list**

Digital Only Connect, ebookless (180 day access): **9781260339413 \$60 list**

URL for the ebook: <https://connect.mheducation.com/class/a-corhay-fall-2020-student-access>

## Evaluation and Grades

Note that all times are in Eastern Standard Time (EST) zone.

### Summary of evaluation

<i>Evaluation</i>	<i>Weight</i>	<i>Notes</i>
<i>Homework Assignments</i>	15%	Three group assignments, each worth 5%
<i>Quiz</i>	10%	Online quiz
<i>FLPM Investment Project</i>	25%	Group term project using Finance-Lab Portfolio Manager
<i>Final Exam</i>	48%	In-person, paper exam
<i>Group Participation</i>	2%	Group work is required. One must join a group.

### Summary of deliverables due date

<i>Evaluation</i>	<i>Due date</i>	<i>Notes</i>
<i>Homework #1</i>	Feb. 9, by 11:59 pm	Submit via Quercus
<i>Quiz</i>	Feb. 16, 8:00 pm – 9:00 pm	Online quiz via Quercus
<i>Homework #2</i>	Mar. 8, by 11:59 pm	Submit via Quercus
<i>Homework #3</i>	Apr. 8, by 11:59 pm	Submit via Quercus
<i>FLPM Project</i>		
1. <i>Presentation Slides</i>	11:59 pm, April 4	Submit via Quercus
2. <i>Presentation Videos</i>	Not required for submission	
3. <i>Evaluation Files</i>	11:59 pm, April 4	Submit via Quercus
<i>Final exam</i>	TBD	Two-hour in-person exam

## **Details on Evaluation and Grades**

### **Homework Assignments**

There are three homework assignments, which are group-based work. Each group normally has five or six members (the maximum size is six). Groups may be formed by your own preferences, for both the assignments and the term project. If a group has less than five members, however, new member(s) may be added by the instructor. This is necessary since we need to control the total number of groups for the project presentation.

Each homework assignment is worth 5% of the final grade. The assignments are submitted on Quercus via file upload in the Assignments section. The submission should include a cover page listing names and IDs of all group members. Group members should keep a copy of each assignment in case that the member who has submitted the assignment ends up dropping the course. It should be emphasized that late submissions of assignments will not be accepted.

Except for unusual circumstances, grades on the assignments are final and re-grading requests will not be accepted.

### **Quiz**

We will have an online quiz (worth 10% of course grade). It is supposed to be 50 minutes but everyone will get one hour, for the extra time with uploading files. It is an open book online quiz via Quercus. A make-up quiz may be offered for those with a legitimate reason, but it will be harder as one would have much more time to prepare. If one misses the make-up quiz again, then there is no more make-up quiz - the weight of the quiz will be added to the final exam.

### **FLPM Investment Project**

You will complete an investment group project using the Finance-Lab Portfolio Manager (FLPM). This should be the same group for the assignments.

There are three deliverables for this term Project:

1. **Presentation slides**

Each group is required to present about the term project, using slides, in one of the two classes at the end of the term. The presentation slides are due by 11:59 pm on April 4 (i.e., a time after the last project presentation class). There will be a live Q&A session for each group, which may also affect the grade of the project.

2. **Presentation video**

The slides-based presentation should be prepared in a video (and then played in class). Each group is required to submit a video of 10 to 12 minutes, due at the same time as the presentation slides. There would be a penalty in grading if the video lasts more than 12 minutes. Every member must speak for at least one minute in the video.

3. **Evaluation file**

Project presentation grades are determined by the instructor. However, peer evaluation is also expected, which is part of the group participation. An excel evaluation file with instruction will be provided before each of the last two classes. The performance of the presentation and Q&A for each group will be evaluated by people in other groups. The excel files of the peer evaluation results are due by 11:59 pm on April 4. Both of the evaluation file and the presentation slides are to be submitted via Quercus.

The order of project presentations will be determined by random draws. For any group formed across different sections, the section for the group to present will be assigned by the instructor.

Further details of the term project will be explained in a separate file and in our first class.

## **Final Exam**

An exam worth 48% of the grade will be scheduled during the final exam period. For this term, the final exam will be a closed-book, in-person, paper exam. The exam will be comprehensive, covering all the course material, e.g., lecture notes, assignments, etc.

## **Group and Class Participation**

A total of 2% of the final grade is for group participation. It includes both individual contribution to the group work and the group's participation during project Q&A's and peer evaluation. There is also a small bonus mark for class participation over the term. These will be discussed in the first class. *Note that group work is a requirement.* One cannot work alone (unless permitted by the instructor due to special reasons). You should try to find a group to join as early as possible. Contact me if you need help for the grouping.

**Please note the last day to drop this course without academic penalty is March 11, 2024.**

## **Rotman Commerce Centre for Professional Skills Teamwork Support**

Various deliverables require students to work in teams of several students. Learning to work together in teams is a crucial transferrable skill you will use not only in your coursework, but also in your future careers. Support is available if you encounter common teamwork challenges such as:

- Team members feeling left out of the team.
- Team members not responding in a timely manner to communication.
- Division or quality of work among team members being unequal or unfair.

Consult the [Centre for Professional Skills Teamwork Resources page](#) for tips, strategies, and best practices. You can also [book an appointment with a teamwork mentor](#) through the RC Centre for Professional Skills Writing Centre. Teamwork mentors can help you resolve or mitigate conflict, strategize on planning, or improve team communication.

If you are a student registered with Accessibility Services, and extensions are one of your academic accommodations, consult with your Accessibility Advisor about the teamwork in this course.

## **Policies and procedure**

### ***Missed Tests and Assignments***

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may request special consideration **within 2 business days** of the missed midterm/test/assignment due date.

In such cases, students must:

1. Complete the Request for Special Consideration form: <https://uoft.me/RSMConsideration>

2. Provide documentation to support the request, eg. Absence Declaration from [ACORN](#), medical note etc.

**Please note:** As of September 2023, students may use the Absence Declaration on ACORN **\*one time per term\*** to report an absence and request consideration. **Any subsequent absence will require a [Verification of Illness form](#) or other similar relevant documentation.**

Students who do not submit their requests and documentation within 2 days may receive a grade of 0 (zero) on the missed course deliverable.

Students who miss the final test due to illness and have provided the necessary documentation as outlined above will be granted a make-up test, which may take the form of an oral examination. When students miss an assignment for reasons beyond their control, the grades of other deliverables will be re-weighted accordingly.

### ***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 [email Accessibility Services](#) or [visit the Accessibility Services website for more information](#) as soon as possible. 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 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 U of T 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 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 [help.ic.utoronto.ca/category/3/utmail.html](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.

### ***Quercus Course Page***

To access the Quercus course page, go to [g.utoronto.ca](http://g.utoronto.ca) and log in using your UTORid and password. Once you have logged in, you will be at the Quercus Dashboard. On this page you will see all of the courses you are presently enrolled in.

### ***Notice of video recording and sharing (Download and re-use prohibited)***

Course videos (if provided) and materials belong to your instructor, the University, and/or other sources depending on the specific facts of each situation, and are protected by copyright. Do not download, copy, or share any course or student materials or videos without the explicit permission of the instructor.

For questions about recording and use of videos in which you appear please contact your instructor.

### **The schedule of lecture topics is as follow:**

The schedule of classes below should be viewed as a tentative one, although the schedule is the best predictor about what will be covered over the term. All students are encouraged to make good efforts to preview and prepare before classes.

## SCHEDULE OF CLASSES

<u>CLASS</u>	<u>Dates</u>	<u>Topics</u>	<u>Readings</u>
1	Jan. 8 & Jan. 10	<b>Introduction and overview:</b> introduction to the course, review of asset classes and risk-return.	
2	Jan. 15 & Jan. 17	<b>Introduction to derivatives:</b> futures, forwards, options, trading derivatives	Chapter 26.1-26.4, pp. 695-703 Chapter 23.1-23.6, pp. 617-625
3	Jan. 22 & Jan. 24	<b>Option pricing:</b> put-call parity, binomial model, Black-Scholes formula.	Chapter 26.6-26.8, pp. 626-638
4	Jan. 29 & Jan. 31	<b>Stock valuation:</b> common stock valuation, relative valuation, and technical analysis.	Chapter 6.4-6.10, pp. 142-158
5	Feb. 5 & Feb. 7	<b>Modern portfolio theory:</b> statistics review, risk and return, modern portfolio theory.	Chapter 10.1-10.6, pp. 268-284 Chapter 11.1-11.4, pp. 290-309
6	Feb. 12 & Feb. 14	<b>Capital Asset Pricing Model:</b> two fund separation, CAPM, EMH (efficient market hypothesis)	Chapter 11.5-11.9, pp. 309-319
7	Feb. 26 & Feb. 28	<b>Multi-factor models:</b> introduction to APT (arbitrage pricing theory), applications, market anomalies.	Chapter 12.1-12.7, pp. 328-342
8	Mar. 4 & Mar. 6	<b>Fixed income I:</b> bond valuation, spot interest rates, bond yields, term structure of interest rates	Chapter 5, pp. 96-125 Chapter 6.1-6.3, pp. 136-142 Appendix 6A, pp. 166-174
9	Mar. 11 & Mar. 13	<b>Fixed income II:</b> bid/ask price, accrued interest, bond arbitrage, bootstrapping	Chapter 21.5, pp. 583-586
10	Mar. 18 & Mar. 20	<b>Fixed income III:</b> duration, mortgages, corporate bonds, credit risk.	Chapter 21.4, pp 580 - 583 Chapter 26.6, pp. 709-715
11	Mar. 25 & Mar. 27	<b>Project presentations:</b> part 1 (online via Zoom)	
12	Apr. 1 & Apr. 3	<b>Project presentations:</b> part 2 (online via Zoom)	

### **Other Useful Links**

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

### **URL links for print**

- Request for Special Consideration Form: <https://rotmancommerce.utoronto.ca/current-students/forms-requests-and-appeals/forms/>
- ACORN: <http://www.acorn.utoronto.ca/>
- Email Accessibility Services: [accessibility.services@utoronto.ca](mailto:accessibility.services@utoronto.ca)
- Accessibility Services website: <http://studentlife.utoronto.ca/as>
- University's Plagiarism Detection Tool FAQ: <https://uoft.me/pdt-faq>
- The University of Toronto's Code of Behaviour on Academic Matters: <http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>
- Information Commons Help Desk: <http://help.ic.utoronto.ca/category/3/utmail.html>
- Become a volunteer note taker: <https://studentlife.utoronto.ca/program/volunteer-note-taking/>
- Accessibility Services Note Taking Support: <https://studentlife.utoronto.ca/service/note-taking-support/>
- Credit / No-Credit in RSM courses: <https://rotmancommerce.utoronto.ca/current-students/degree-requirements/credit-no-credit-option/>
- Rotman Commerce Academic Support: <https://rotmancommerce.utoronto.ca/current-students/academic-support/>
- Book an appointment with a writing or presentation coach: <http://uoft.me/writingcentres>
- Writing and Presentation Coaching academic support page: <https://rotmancommerce.utoronto.ca/current-students/academic-support/writing-and-presentation-coaching/>
- Centre for Professional Skills Teamwork Resources page: <https://rotmancommerce.utoronto.ca/teamwork-resources>
- Book an appointment with a Teamwork Mentor: <http://uoft.me/writingcentres>