

Course Outline

Course Code	RSM 332 H1 F - L0101, L0201
Course Name	Capital Market Theory
Term, Year	Summer, 2024
Course Meets	L0101 Tue/Thu 9:00 am – 11:00 am L0201 Tue/Thu 11:00 am – 1:00 pm
Web page URL	https://q.utoronto.ca

Instructor Details

Name	Email	Phone	Office Hours	Virtual Office Link
Ray Daroga	Ray.Daroga@rotman.utoronto.ca	416-978-3689	By appointment (@ RT 440, send email)	By appointment (Zoom, send email)

Course Scope, Mission, and Learning Outcomes

This course introduces financial markets and lays out the foundation for analyzing investments 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.

Course Materials

Required / Reference Textbook

Textbook: 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 knowledge and skills developed by a student within individual courses. Each student will receive a grade based on how well they have command of the course materials, skills and learning objectives of the course.

Work	Percentage of grade	Due Date
Participation	10%	10 Lectures
4 Homework Assignments	20%	See class schedule
Mid-Term Test	30%	May 28 (time TBD)
Final Exam	40%	TBD: June 19 - 24, 2024

Course Format and Expectations

Class Participation

Students are expected to prepare thoroughly and make every effort to attend every class. There will be opportunities to obtain participation marks in class, with a cap of 10 points in total. More information about participation marks will be posted on Quercus.

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 20% of the final grade and they will be important determinants in borderline cases. You are encouraged to work in groups of four students on the problem sets (you may form groups across sections). **Assignments are due by 9:00 am on the due date, and late ones are not accepted.** Except for unusual circumstances, grades on homework assignments are final and re-grading requests will not be accepted.

Weekly Tutorials

TAs will hold weekly online tutorial on **Fridays (1 - 3pm)**. TAs will answer questions as well as help you with the homework assignments. TAs will also go over some of the questions from past exams.

Mid-Term Test

There will be an in-person term test related to the course material worth 30% of the final mark. The test will cover course materials from Lectures 1 – 5, inclusive.

Final Exam

The final term test will be comprehensive, covering all material in the course. It is worth 40% of the final mark. Further information will be posted in Quercus.

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, e.g. 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.

There will be **no make-up assignments**. Students who miss an assignment or term test will have marks reallocated to the subsequent deliverable of a similar nature (e.g. marks for the mid-term test will be reallocated to the final term test).

Final Exams: If you miss the final exam in this course for a legitimate reason (illness, etc) you will need to connect with your College Registrar to file a petition for a deferred exam. This deferred exam will be written at a later date as established by the Faculty of Arts & Science. Instructions can be found here: <https://www.artsci.utoronto.ca/current/faculty-registrar/petitions-appeals/preparing-petition>

Late Assignments

Assignments are due at the start of the class and late ones are not accepted.

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 [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.

Generative AI / ChatGPT

Students are encouraged to make use of technology, including generative artificial intelligence tools, to contribute to their understanding of course materials. Students may use artificial intelligence tools, including generative AI, in this course as learning aids or to help produce assignments. However, students are ultimately accountable for the work they submit. Students must submit, as an appendix with their assignments, any content produced by an artificial intelligence tool, and the prompt used to generate the content.

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 questions 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 the [Information Commons Help Desk](#).

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
0	SELF-LEARNING	Review: Time Value of Money, APR, and EAR	Chapter 5
1	May 7, 2024	Fixed income I: Bond valuation, spot interest rates, bond yields, and term structure of interest rates	Chapter 6.1 - 6.3 Appendix 6A Chapter 21.5
2	May 9, 2024	Fixed Income II: Bid/ask price, accrued interest, bond arbitrage, and bootstrapping	
3	May 14, 2024	Fixed income III: Duration, mortgages, corporate bonds, credit risk Due date for HW #1 (by 9:00 am)	Chapter 21.4 Chapter 26.6
4	May 16, 2024	Introduction to Derivatives: Futures, forwards, and options	Chapter 26.1 - 26.4 Chapter 23.1 - 23.6
5	May 21, 2024	Option Pricing: Put-call parity, binomial model, Black-Scholes formula. Due date for HW #2 (by 9:00 am)	Chapter 26.6 - 26.8
6	May 23, 2024	Stock Valuation I: DDM, DCF, and WACC	Chapter 6.4 - 6.10
7	May 28, 2024	Mid-term Examination Time: TBD Location: TBD	Covers Lectures 1 - 5
8	May 30, 2024	Stock Valuation II: Valuation by multiples, terminal value, and NPVGO	Chapter 10 Chapter 11.1 - 11.4
9	June 4, 2024	Modern Portfolio Theory: Statistics review, risk and return, and modern portfolio theory Due date for HW #3 (by 9:00 am)	Chapter 10.1 - 10.6 Chapter 11.1 - 11.4
10	June 6, 2024	Capital Asset Pricing Model: Diversification, and introduction to CAPM	Chapter 11.5 - 11.9
11	June 11, 2024	Multi-Factor Models: Introduction to APT, empirical applications, and market efficiency	Chapter 12.1 - 12.7
12	June 13, 2024	Course Review Due date for HW #4 (by 9:00 am)	

Please note that the last day you can drop this course without academic penalty is June 3, 2024.



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

- ACORN: <http://www.acorn.utoronto.ca/>
- Email Accessibility Services: 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>