UNIVERSITY OF TORONTO
Financial Economics l - Investment (ECO358H1F)
Fall 2021

Course Description
ECO358 offers an introduction to economics of financial assets and financial markets. Topics we will discuss include: individual intertemporal choice, expected utility theory, portfolio choice, security valuation, models of asset pricing, market efficiency, and the term structure of interest rates. We will also provide an introduction to options and behavioral finance. This course aims to offer essential materials for an understanding of the role and operation of financial markets. You should expect a combination of math-based theory and practical problems.

Instructor
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Class Email Address
The dedicated email address for this class is eco358.vellekoop@utoronto.ca. A TA and I will regularly check this email address, but please give us 1-2 business days to respond.

Course Format
Starting in week 3 (September 27), both lectures and tutorials will be in person, and neither will be recorded or streamed for online access. For the first two weeks, the course will consist of lecture and tutorial videos available through Quercus. If the university requires a change during the term from in-person to online only, then the lectures will be asynchronous (=videos) and tutorials will be synchronous (=Zoom).

> *Motivation: in any case we will follow University and A&S policies. For the modified start of the term, A&S allows instructors for several combination of in-person and online. In my opinion posting videos of lectures and tutorials allows everyone equal access to the class materials in the first weeks of the term.*

Lectures will start ten minutes past the hour and will be held on:
- Monday 3.10-5pm in LM 162
- Tuesday 2.10-4pm in MP 103
- Tuesday 4.10-6pm in MP 103 For space conscious students: this room is less than a third full.
All lectures cover the same material. You may enter any lecture slot of your choice, space permitting. For MobLab games in class (see schedule), only your first attempt counts for points.

Tutorials will start ten minutes past the hour and will be held on:
- Wednesday 12.10-1pm (two slots) one in SS 1070 and one in BL 325
- Wednesday 5.10-6pm (one slot) in SS 2127
- Thursday 12.10-1pm (two slots) one in SS 2127 and one in SS 1070

Prerequisites

You yourself are responsible to check and make sure that you have fulfilled all requirements set by the University of Toronto to participate in this course. See for the appropriate prerequisites: https://www.economics.utoronto.ca/index.php/index/undergraduate/load/prerequisites

Tech Requirements

In the event that public-health considerations require us to switch to online instruction, you must have access to a laptop or desktop computer with a strong, stable internet connection. A phone is not an acceptable substitute as some required components may not be accessible on smartphones. A camera and mic are required for online contact activities such as office hours. High speed broadband access (LAN, Cable or DSL) is highly recommended This course requires the use of computers, and of course, sometimes things can go wrong when using them. You are responsible for ensuring that you maintain regular backup copies of your files, use antivirus software (if using your own computer), and schedule enough time when completing an assignment to allow for delays due to technical difficulties. Computer viruses, crashed hard drives, broken printers, lost or corrupted files, incompatible file formats, faulty internet, and similar mishaps are common issues when using technology, and are not acceptable grounds for a deadline extension. See for Tech support (Quercus):

Course Materials (required)

"Corporate Finance" by Jonathan Berk, Peter DeMarzo and David Stangeland, 2020, 5th Canadian edition, Pearson. You can use older versions or the American version (at your own risk). I will not provide an overview of differences between versions.

> *Motivation: many students will continue in the winter term with ECO359 "Financial Economics ll". I have coordinated with the instructor of ECO359 (Prof. Tsoy) that we will use the same book for both courses, so you will only have to buy the book once. In ECO358 we will cover most of the first 15 chapters.*

MyLab is optional, and the book representative has promised me that a MyLab subscription is valid for the entire year (so that you can use it for both ECO358 and ECO359).

- The bookstore carries the hardcopy of the book, as well as the package e-book + MyLab (https://www.campusebookstore.com/integration/AccessCodes/default.aspx?bookseller_id=96&Course=STG+ECO358+CORPORATE+FINANCE&frame=YES&t=permalink).
- If you only want to buy the e-book (without MyLab), go directly to Pearson: https://www.pearson.com/store/p/corporate-finance-fifth-canadian-edition/P100003044489/9780136649182

Moblab (required): you need to buy a subscription for the MobLab platform. MobLab is an online environment to play economic games. We will use this extensively throughout the course to experience and illustrate several principles in class. We have received a 60% discount of the regular price: we pay 10 USD. Instructions how to enroll can be found at the end of the syllabus.

> *Motivation: I am aware that this another expense, but I only require students to pay for materials that we will use in class, and I hope that the use of MobLab will help to increase engagement.*

Software (optional): We will sometimes use Excel for calculations (you may use a financial calculator instead). Excel and Microsoft Teams are included in the Office 365 Suite freely available for UofT students.

Time Zone Convention

All times posted in the syllabus and on Quercus will be in Toronto time (EDT and EST after daylight savings time ends on November 7 – note that different countries may have a different end date for daylight savings time.) If you are in a different time zone, please make sure you correctly identify what EST converts to where you are. Errors in calculations are not an acceptable reason to miss deadlines.

Professor Office Hours

Starting in week 2, I have open office hours on Zoom every Monday 1-2:30pm (link and password are posted on Quercus). This is the office hour for questions about the lectures, and other course or content related issues. I am looking forward to seeing you there, and feedback is much appreciated. In addition you can see me right before and after the lecture in person.

> *Motivation: one thing that I found useful of pandemic teaching was the online office hours, since it allows multiple students to attend the office hour at the same time. Feel free to use the chat to ask questions, or send me an email before (to the class-email) with your questions and that you will come to the office hour (that gives me time to prepare especially for more involved questions). You need to log into Zoom using your UofT account (other domains will not get access) and there is a waiting room. Office hour sessions will not be recorded.*

TA Office Hours

The following TAs have weekly office hours, starting in week 2: Alex Khanji and Adam Clark. Office hours will be online and held through Zoom. The schedule and links will be posted on Quercus. More office hours will be offered the week before tests.

Piazza Discussion Board

We will use Piazza as a Q&A forum during class. Piazza is now integrated with Quercus. One of the TAs and I will regularly look and contribute to Piazza. Please keep the discussion and answers civil (we can see your names), and only related to course content.
The sign-up link is www.piazza.com/utoronto.ca/fall2021/eco358

Email policy

All emails should be sent to the dedicated email address for the class: eco358.vellekoop@utoronto.ca. A TA and I will monitor the inbox. Please allow for a response within 1-2 business days. Please be brief, clear and specific in your email. Please use your UTOR e-mail account (the "utoronto" account). E-mails from other accounts may not reach us and your e-mail address helps us to identify you. Please include your full name, preferred name, and student number in the body of the email. If there is no response after 3 business days, please re-send your message to remind me or the TA.

Schedule of Topics, Chapters and Tests

	Week of	Topic	Chapter	Tutorials	Quercus Quiz / MobLab
1*	13-Sep	Tools	3-5	T1	
2*	20-Sep	Valuing Bonds and Term Structure	6+6A	T2	*Quiz 1 + MobLab 1*
3	27-Sep	Valuing Stocks + EMH	7	T3	*Quiz 2 + MobLab 2*
4	4-Oct	Risk and Return	3.6, 10	T4	*Quiz 3 + MobLab 3*
5	*Oct 12*	*Midterm 1 (Lectures 1-3)*		*No tutorials*	
6	18-Oct	Optimal Portfolio Choice	11.1-11.5 handout	T5	*Quiz 4 + MobLab 4*
7	24-Oct	CAPM	11.6-11.8	T6	*Quiz 5*
		Estimating the Cost of Capital	12		
8	1-Nov	Investor Behaviour	13	T7	*Quiz 6 + MobLab 5*
*	8-Nov	*Reading Week*			
9	*Nov 16*	*Midterm 2 (Lectures 4-7)*		T8 (MobLab 6)	
10	22-Nov	Financial Options	14	T9	*Quiz 7 + MobLab**
	Nov 22	*Make-Up Midterm (Lectures 1-7)*			
11	29-Nov	Option Valuation	15	T10	*Quiz 8*
12	6-Dec	Recap		*No tutorials*	
*	*TBA*	*Final Exam*			

− Videos of lectures and tutorials in **weeks 1 and 2** will be posted online, there are no in-person activities those two weeks. Lecture recordings will be posted at the beginning of the week, and tutorial recordings by the end of the week.

− Tutorial questions will be posted at the beginning of the week.

− Professor and TA office hours start in week 2.

− **Midterms** are scheduled to take place in weeks 5 (likely Tuesday October 12) and 9 (likely Tuesday November 16). Exact days, times and locations will be announced on Quercus (well in advance). Changes in the public health situation may result in changes to test dates.

− A cheatsheet with formulas will be provided for the midterms and the final.

− **Tutorial 8** (the week of November 15) will be a MobLab game for a grade. All other Moblab games will be done in-person during the lectures, except the first MobLab game, which will be done online within a 24-hour window.

− **MobLab***: In case you miss a MobLab game, there will be a small make-up assignment handed out on November 19. The deadline is November 26 (11:59 EDT).

− The final exam will be scheduled by the university in the period December 10-21, 2021. The final covers all materials discussed. In general, if a concept, definition or problem is discussed in class, it can be part of a test.

Grading

10%   (Mostly) participation and (some) performance in **MobLab games**. Not all MobLab games have the same weight, this will be announced on Quercus. The grade of one missed MobLab game can be replaced with a small make-up assignment, deadline Friday November 26, 2021 11:59pm EST.

10%   **Quercus quizzes**: there will be 8 quizzes and I will drop the lowest grade. These are short (15-30 minute) quizzes similar to tutorial questions of the week before. Quercus quizzes will be released every Friday starting in week 2, and you have a 24-hour window to complete the quiz (detailed instructions follow on Quercus). Quizzes are open book.

40%   Two **midterm tests** (75 minutes writing time each). The weight of each midterm is 20%. Coverage for each midterm can be found in the overview.

40%   **Final exam** (120 minutes writing time). The final is comprehensive and will cover all material discussed in class. All tests are closed book, and a cheatsheet will be provided.

This syllabus is written under the assumption that midterms and the final will be held in-person. If changes in the public health situation require a different format, I will communicate the format of the online test well before the test, including tech requirements (internet connection, camera and mic) and we will do a test run.

Weight shifting

If your score on the final is better than your worst midterm score AND your worst midterm score is above 20%, then your worst midterm will not count and its weight will be automatically shifted towards the final. If both of your midterm scores are below 20%, or if your score on the final exam is below that of your worst midterm, then no weight redistribution will occur. Also note that weight shifting will not occur if you miss a midterm and do the makeup midterm.

Missed quizzes/tests

- There is no makeup possibility for Quercus quizzes, you can miss one without any consequences for your grade.
- For a missed MobLab game there will be a makeup assignment available on Friday November 19, with a deadline of November 26.
- If you miss a midterm for any reason, there is a makeup scheduled on Monday November 22 (exact time and location to be announced). You do NOT need to give me any documentation, nor ask me for permission to participate: if you miss a midterm for any reason, you will receive an invitation for the makeup. The makeup is a 105 minutes and covers lectures 1-7. Note that the makeup test can at most replace **one** midterm grade, and that weight-shifting does **not** apply to make-up tests.
- Students **cannot** petition to re-write a test once the test has begun. If you are feeling ill, please do not start the test, seek medical attention immediately, and the policy on makeup tests will apply. Note that if you do write a midterm test and do not perform optimally, weight-shifting may still apply – see the instructions above.
- If you miss both midterm tests because of medical reasons or other grave circumstances, you need to reach out to **your college registrar** first, explain your situation **to them**, and have **them** contact me. I will not discuss or look at certificates of medical illness or other documentation.
- If you miss the final exam, you need to petition A&S.

Appealing your grade

Disputes over the evaluation of a test or quiz should be discussed with me. Disagreement with the marking means that an error might have been made – for instance, the marker failed to consider a part of your answer. Conversely, suggesting that you believe you deserved a higher grade is not a valid reason for a re-grade. After reviewing the solution posted on the course website, use the re-grade request form which will be available on Quercus. You must submit your appeal no later than two weeks (10 business days) after the solutions have been posted on Quercus, or answers have been released, whichever comes last (I sometimes post the model solutions before the tests are graded). In your appeal, you must identify the questions that you believe were marked incorrectly and provide an explanation as to why you believe you deserve additional marks.

Practice Material

Old midterms with solutions will be posted on Quercus. There are plenty of practice questions in the book, and even more practice material on MyLab (though the purchase of MyLab is optional). I will not post solutions of other questions, but you can discuss them in TA office hours.

Resources and ATS

Students with diverse backgrounds, perspectives, learning styles and needs are welcome in this course. We want to create a welcoming inclusive environment. If you see ways do better, help us improve with your suggestions. If you need help achieving academic success in this course, please reach out to me at n.vellekoop@utoronto.ca.

For accessibility services / accommodation, please see: http://www.studentlife.utoronto.ca/as. Resources to help you at the UofT are listed at: https://www.studentlife.utoronto.ca/asc For course-related issues, please get in touch with me and your College Registrar. For longer-run issues or issues outside our course please contact your College Registrar http://www.artsci.utoronto.ca/newstudents/nextsteps/contact

Academic integrity

Academic integrity is one of the cornerstones of the University of Toronto. It is critically important both to maintain our community which honours the values of honesty, trust, respect, fairness and responsibility and to protect you, the students within this community, and the value of the degree towards which you are all working so diligently. According to Section B of the University of Toronto's Code of Behaviour on Academic Matters https://governingcouncil.utoronto.ca/secretariat/policies/code-behaviour-academic-matters-july-1-2019, which all students are expected to know and respect, it is an offence for students:

- To obtain unauthorized assistance on any assignment.
- To provide unauthorized assistance to another student. This includes showing another student completed work (e.g., an answer on a test).
- To falsify or alter any documentation required by the University. This, includes, but is not limited to doctor's notes.
- To use or possess an unauthorized aid in any test or exam (e.g., a cell phone).
- To continue writing when the time is up in any test or exam.

- To submit a medical note to get out of a test when the student is not actually sick.

There are other offenses covered under the Code, but these are by far the most common. Please respect these rules and the values which they protect. For useful tips for avoiding academic misconduct, please visit the website of the Office of Student Academic Integrity at https://www.artsci.utoronto.ca/current/academic-advising-and-support/student-academic-integrity.

How to Sign-Up for MobLab

Important:
- Please use your **SIS ID** (letters + maybe numbers) for your **last name**, this is most likely the same you use for your login name in Quercus and other University platforms. This is NOT the 10-digit utorid, but a combination of 8 letters (and for some students numbers).
- For your **first name** fill out your **first name**.
- Also use your **uoft-email address** to sign up.

This will make it easier to release your grades timely into your gradebook (unfortunately this has to be done manually, and manual matching of names to Quercus is an unfortunate series of events).

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use code or scan QR:

j 2 4 8 b n 9 x 3

Student sign up at moblab.com