

Syllabus ECO359H1F-2022: Financial Economics II

Course Description This course covers advanced topics in corporate finance, including, investment, optimal capital structure, option pricing. The course provides both theoretical treatment of the topics as well as applications to recent events and case studies. To excel in the class, students should be good in both solving math-based questions as well as applying theories to discuss practical problems.

Instructor Anton Tsoy, PhD, Assistant Professor at the Department of Economics, University of Toronto.

Class Email Address The dedicated email address for this class is eco359@utoronto.ca. TAs and I will regularly check this email address, but please give us 2-3 business days to respond. All emails sent to personal email addresses of TAs or professor will be ignored.

Course Format There is still quite a bit of uncertainty about the course format and to what extent we can resume back to normal in this term. The default plan is to have online delivery for the month of January, but we might stick to it in February and further, if the University does not re-open. Follow closely the announcements on Quercus for the latest updates.

The lectures will be synchronous. I will upload the recording of lectures on Quercus so that you can review and study them in your own time. Participation/attendance of lectures is not graded so you can choose which learning style works best for you.

There will be two types of lectures. In theoretical lectures, I will cover the theory. This material is quite standard, and in the online format, lectures of this type will alternate between Tuesday 10-1 and Tuesday 2-5. For theoretical lectures, I will upload lecture slides in advance so that you can follow and make notes during the class. The last hour of the lecture is reserved for TAs to solve practice problems for exams (to be uploaded/solved in class).

In discussion lectures, we will discuss current events and analyze them using the tools we learned in class. In these lectures, I will ask for your participation (not graded) and I will have two different discussion for two sections. For these lectures, I will upload the lecture slides, but they might not contain all the full information (which will be uploaded after the class).

The tentative schedule of classes is below. See also <https://artsci.calendar.utoronto.ca/sessional-dates>

Date	Topic	Textbook chapter
Jan. 11	Course overview/Motivation	
Jan. 18	CAPM revisited	Ch. 11
Jan. 25,	Cost of Capital	Ch. 12
Assignment 1, Due: Feb. 1 before the lecture		
Feb. 1	Capital Budgeting	Ch. 9
Feb. 8	Capital Structure	Ch. 17
Feb. 15	In-class midterm	
Reading Week (No Classes)		
Mar. 1	Tax Benefits	Ch. 18
Mar. 8	Default Costs and Frictions	Ch. 19
Assignment 2, Due: Mar. 15 before the lecture		
Mar. 15	Financial Options	Ch. 14-15
Mar. 22	Applications of Options	Ch. 16
Mar. 29	Payout Policy	Ch. 20
Assignment 3, Due: Apr. 5 before the lecture		
Apr. 5	Review	
Final Exam		

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 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): <https://onsearch.library.utoronto.ca/ic-help-desk-knowledge-base>

Time Zones It is expected that all students are currently in Toronto. We will generally not accommodate students who need to write exams at different times, because of the differences in time zones

Professor Office Hours I will hold office hours after each discussion lecture. TA's office hours to be announced on Quercus.

Piazza Discussion Board We will use Piazza as a Q&A forum during class. 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/winter2022/eco359h1s

Email Policy All emails should be sent to the dedicated email address for the class: eco359@utoronto.ca. TAs and I will regularly check this email address, but please give us 2-3 business days to respond. All emails sent to personal email addresses of TAs or professor are guaranteed to be ignored! 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 5 business days, please re-send your message to remind me or the TA.

Course Materials (required) “Corporate Finance” by Jonathan Berk, Peter DeMarzo and David Stangland, 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. This is the same textbook as you used in ECO358.

Grading and Exams

- Midterm: 40 points
- Final assessment: 45 points
- Three assignments: 5 points each (15 points in total)

The exam format still depends largely on the provincial health regulation. The current plan is to hold both the midterm and the final exam online, although this will change if we switch to in-person teaching during the semester. To maintain academic integrity, we will use Zoom to invigilate tests and may ask you to record your screen activity. You will need a webcam or camera (see tech requirements for the course). We will do our best to accommodate time zone conflicts for the midterm and the final assessment, please check Quercus announcements regularly.

Your final grade will be determined based on the number of points that you get, not the percentage of the maximum. The grade will be determined according to the University of Toronto grade scale (<https://governingcouncil.utoronto.ca/secretariat/policies/grading-practices-policy-university-assessment-and-january-1-2020>).

Missed tests There is no makeup possibility for the missed midterm: if you do miss it, then your final assessment will account for 85 points. There is no need to provide a medical certificate for missing the midterm and points will be recomputed automatically. Procedures for missing the final assessment will be announced later.

Appealing your grade Appeals of a test score should be discussed with the TA who graded the question. 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. To appeal, use the re-grade request form on Quercus. You must submit your appeal after one week (5 business day), but no later than two weeks (10 business days) after the exams are distributed. 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. Please note that for tests

all questions may be remarked – not only the question that you appealed. As a result, your grade for the test can be higher, the same, or lower.

Practice Material Last year’s midterm and final exam will be posted on Quercus. There are plenty of practice questions in the book, although they might be less relevant for this course.

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.

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.

Note: students who typically write tests with Accommodating Testing Services (ATS) might experience that the move online is different and that wait and response times might be long. If you have an accommodation to receive more writing time for tests, please send your ATS form to eco359.2022@utoronto.ca. We will make sure you get the accommodation that is needed.

Recommendation Letters I often get requests of students who ask me to write a letter of recommendation for them. I will talk about applications to Masters/PhD programs in one of the classes as well as the process of requesting a recommendation letter.

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://www.academicintegrity.utoronto.ca>, 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>.

Plagiarism We will use Ouriginal for plagiarism detection in assignments. Normally, students will be required to submit their course essays to the University's plagiarism detection tool for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of this tool are described on the Centre for Teaching Support & Innovation web site (<https://uoft.me/pdt-faq>).