

UNIVERSITY OF TORONTO
Financial Economics I - Investment (ECO358H1F)
Spring 2023

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

Louis Bélisle, PhD

Lecturer

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Email: louis.salmon.belisle@mail.utoronto.ca

- My personal email isn't monitored as closely as the one for the class.
- Please use the class email as much as possible.

Lectures will start ten minutes past the hour and will be held on:

- Tuesday 6.10 to 8pm in RW 110

Tutorials will start after the lectures, following a 10-minute break

- Tuesday 8.10 to 9pm in RW 110

Prerequisites

You 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 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 with ECO359 “Financial Economics II”. 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.

- 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>

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

Time Zone Convention

Only relevant if health guidelines change and warrant to change to course format to online.

All times posted in the syllabus and on Quercus will be in Toronto time (EST and EDT after daylight savings time begins on March 12 – 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

I have open office hours on Zoom every Thursday 2-3:30pm (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 (using ECO358H1S.a@course.utoronto.ca) 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 TA has weekly office hours: Sobia Hasan Jafry. The schedule and location/link will be posted on Quercus. Similar to my office hours, feel free to send your questions in advance to Sobia or let her know that you will attend her office hours. Sobia can be reached by email: sobia.jafry@mail.utoronto.ca

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.

You can access Piazza through Quercus or use the sign-up link:

<https://piazza.com/utoronto.ca/winter2023/eco358h1slec5101>

Email policy

Please submit all your questions at the course's email inbox: ECO358H1S.a@course.utoronto.ca. The instructor and a TA will monitor the inbox. Please allow for a response within 1-2 business days. Please be brief, clear and specific in your email. 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
1	10-Jan	Tools	3-5	T1	Quiz 1
2	17-Jan	Valuing Bonds and Term Structure	6+6A	T2	Quiz 2
3	24-Jan	Valuing Stocks + EMH	7	T3	Quiz 3
4	31-Jan	Risk and Return	3.6, 10.1-10.5	T4	
5	7-Feb	Mid-term and Assignment 1 walkthrough	3-7	<i>No Tutorial</i>	
6	14-Feb	Risk and Return of Portfolios	10.6-10.8 11.1-11.4	T5	Quiz 4
*	21-Feb	Reading Week			
7	28-Feb	Portfolio Construction + CAPM Estimating the Cost of Capital	11.6-11.8 handout 12.2-12.5	T6	Quiz 5 + Assignment 1 due
8	7-Mar	Assignment 2 walkthrough	10-12	<i>No tutorial</i>	
9	14-Mar	Investor Behaviour	13	T7	Quiz 6
10	21-Mar	Financial Options	14	T9	Quiz 7
11	28-Mar	Option Valuation	15	T10	Quiz 8
12	4-Apr	Recap		<i>No tutorial</i>	Assignment 2 due
*	TBA	Final Exam			

- Professor and TA office hours start in week 2.
- A formula sheet will be provided for the final.
- The final exam will be scheduled by the university in the period April 11-28, 2023. 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% **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. Quercus quizzes will be released Fridays, and you have a 24-hour window to complete the quiz (detailed instructions follow on Quercus). Quizzes are open book.
- 15% One **mid-term exam** (60 minutes writing time). The exam will cover the standard methodology tools of the first four weeks. It will be an in-class exam.
- 40% Two **Assignments**. The weight of each assignment is 20%. Coverage for each assignment can be found in the overview. Late submissions will be penalized by 20% for each 12h late. If you anticipate you may miss the deadline, contact me at the class email immediately.
- 35% **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 formula sheet will be provided. Students must achieve a 40% on the final in order to pass the course, regardless of other marks.

This syllabus is written under the assumption that 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.

This course will use Crowdmark, a collaborative online grading tool for marking and providing feedback on graded term assessments. Crowdmark provides efficiencies with grading, data recording, returning term assessments and handling regrade requests. Copies of student work marked in Crowdmark, including grading and feedback, will be available online to students for at least one year. Digital (i.e., online) copies will serve as the authoritative record for course administrative purposes, and paper copies of assessments scanned and uploaded to Crowdmark will be destroyed after the term has ended and final grades are approved. If students have questions about how your information is stored on Crowdmark, please contact your course instructor.

Missed quizzes/tests

- There is no makeup possibility for Quercus quizzes, you can miss one without any consequences for your grade.
- 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.
- If you miss the final exam, you need to petition A&S.

Appealing your grade

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 louis.salmon.belisle@mail.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>.

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>).