

ECO358H1 F

Financial Economics I

Summer 2025 Syllabus

Course Meetings

ECO358H1 F

Section	Day & Time	Delivery Mode & Location
LEC0101	Monday, 10:00 AM - 1:00 PM	In Person: FE 213
	Wednesday, 10:00 AM - 1:00 PM	In Person: FE 213

Refer to ACORN for the most up-to-date information about the location of the course meetings.

One-hour tutorial from 10 to 11am followed by 2-hour lecture from 11am to 1pm

Course Contacts

Course Website: <https://q.utoronto.ca/courses/389195>

Instructor: Dr. Yiming Xu

Email: yiming.xu@mail.utoronto.ca

Office Hours and Location: Mondays, 2 to 3 pm, location: GE150

Course Overview

An introduction to economics of financial assets and financial markets. Topics: inter-temporal choice, expected utility theory, security valuation, selected asset pricing models, market efficiency, and the term structure of interest rates - essential materials for an understanding of the role and operation of financial markets.

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Course Learning Outcomes

By the end of the course, students will understand how financial markets work, and how to evaluate common financial instruments, including equity, debt, and options. Students will also understand the concepts of risk and returns, and how individuals and firms make investment decisions.

Prerequisites: ECO200Y1/ECO204Y1/ECO206Y1; ECO220Y1/ ECO227Y1/ (STA237H1, STA238H1)/ (STA247H1, STA248H1)/ (STA257H1, STA261H1)

Corequisites: None

Exclusions: ACT349H1, ECO358H5, MGT231H5, RSM332H1

Recommended Preparation: None

Credit Value: 0.5

Course Materials

The required textbook for the course is *Corporate Finance, 9th Canadian Edition* by Ross, Westerfield, Jaffe, and Roberts (2022, McGraw-Hill, ISBN: 9781260881370, hereafter referred to as Ross).

The recommended reference book is *Investments, 10th Canadian Edition* by Bodie, Kane, Marcus, Perrakis, and Ryan (2022, McGraw-Hill, ISBN: 9781260881257, hereafter referred to as Bodie).

Additional lecture notes will be posted on Quercus.

Marking Scheme

Assessment	Percent	Details	Due Date
Midterm	30%	in-class midterm exam	2024-05-27
Term project	20%	Due on the last lecture.	2024-06-17
Class participation	15%	Students need to actively participate in class discussions, ask/answer questions, make course-related comments in order to achieve full marks.	No Specific Date
In-Person Final Exam	35%		Final Exam Period

The midterm exam is compulsory. There is no make-up midterm. In the case of missing the midterm, the weight will be transferred to the final exam only if you have a legitimate excuse as outlined in the university policies.

Missed term work due dates are subject to a late penalty.

Students who cannot complete their final examination due to illness or other serious causes must file a petition with the department. Please refer to the university policies

Students **CANNOT** petition to re-write a quiz/test once it has begun. If you are feeling ill, please do not start the test, seek medical attention immediately, and the policy on Missed Term Work will apply.

Late Assessment Submissions Policy

Assignments and term projects submitted after 11:59 pm of the due date will be subject to a penalty of 33% deduction of total marks per day. The number of days for penalty calculation is in integer, counted by calendar date.

Course Schedule

Lecture 1: (May 5) Basics of financial markets and firm structure (Ross Ch. 1, 2).

Lecture 2: (May 7) The Fisher Separation Theorem and the time value of money (Ross Ch. 4, 5 & lecture notes).

Lecture 3: (May 12) The time value of money (further topics) and bond evaluation (Introduction) (Ross Ch. 5, 6).

Lecture 4: (May 14) Bond evaluation (Ross Ch. 6).

Lecture 5: (May 21) The term structure of interest; exam review (Ross Ch. 6).

May 26 Midterm Exam.

Lecture 6: (May 28) Stock evaluation model and investment rules (Ross Ch. 6, 7).

Lecture 7: (June 2) Choice under uncertainty and portfolio theory (Ross Ch. 10 & lecture notes).

Lecture 8: (June 4) The capital asset pricing model (CAPM) (Ross Ch. 11 & lecture notes).

Lecture 9: (June 9) Factor models and the arbitrage pricing theory (APT) (Ross Ch. 12 & lecture notes).

Lecture 10: (June 11) Option pricing (Ross Ch. 23).

Lecture 11: (June 16) The efficient market hypothesis; course review (Ross Ch. 14).

Policies & Statements

Academic Integrity

All suspected cases of academic dishonesty will be investigated following procedures outlined in the [Code of Behaviour on Academic Matters](https://governingcouncil.utoronto.ca/secretariat/policies/code-behaviour-academic-matters-july-1-2019) (<https://governingcouncil.utoronto.ca/secretariat/policies/code-behaviour-academic-matters-july-1-2019>). If you have questions or concerns about what constitutes appropriate academic behaviour or appropriate research and citation methods, please reach out to me. Note that you are expected to seek out additional information on academic integrity from me or from other institutional resources. For example, to learn more about how to cite and use source material appropriately and for other writing support, see the U of T writing support website at <http://www.writing.utoronto.ca>. Consult the Code of Behaviour on Academic Matters for a complete outline of the University's policy and expectations. For more information, please see

[A&S Student Academic Integrity \(https://www.artsci.utoronto.ca/current/academic-advising-and-support/student-academic-integrity\)](https://www.artsci.utoronto.ca/current/academic-advising-and-support/student-academic-integrity) and the [University of Toronto Website on Academic Integrity \(https://www.academicintegrity.utoronto.ca\)](https://www.academicintegrity.utoronto.ca).

Plagiarism Detection Tool

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>).

Cell Phones and Laptop Usage

Technology can support student learning, but it can also become a distraction. Research indicates that multi-tasking during class time can have a negative impact on learning. Out of respect for your fellow students in this class, please refrain from using laptops or mobile phones for purposes unrelated to the class. Do not display any material on a laptop which may be distracting or offensive to your fellow students.

Online Communication

Emails are for short questions. I will utilize Quercus primarily to communicate general course-related issues. It is your responsibility that your account is set up to receive messages from Quercus. Please be brief, clear, and specific in your email. Please use your UTOR e-mail account. E-mails from other accounts may not reach us and your e-mail address helps us to identify you. Please include the course code in the title of the email, and your full name, and student number in the body of the email. If there is no response after 3 business days, please re-send your message. I will not answer email questions within 24 hours before a test and the deadline of a course work.

Re-marking Policy - Timeline and Protocol

If you appeal to re-grade one or more questions on the midterm test and/or course work, you have to request in writing and outline in detail why you think that you deserve a higher mark within two weeks of the date the test and/or course work is returned to the class. The entire work will be re-marked. Note that this may lead to a lower overall grade.

Late Assignments

Assignments and term projects submitted after 11:59 pm of the due date will be subject to a penalty of 33% deduction of total marks per day. The number of days for penalty calculation is in integer, counted by calendar date. You will have to email the late submission to the TA and the instructor following the email policy below as the window of submission on Quercus closes at 11:59 pm. Include your name and student number in the email.