

**ECONOMICS ECON 2181B**  
**Department of Economics**  
**Western University**

**JANUARY 2025**

**Instructor:** Urmi Khatri  
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**Office hours:** Monday 10:00 to 12:00  
**Delivery mode:** In-person  
**Meeting time(s):** Monday 8:30 am to 9:30 am and Wednesday 8:30 am to 10:30 am  
**Classroom:** SSC-2036  
**Course website:** <https://westernu.brightspace.com/>  
**Undergraduate inquiries:** 519-661-3507 or SSC Room 4075 or [econugrd@uwo.ca](mailto:econugrd@uwo.ca)

**Registration:**

You are responsible for ensuring you are registered in the correct courses. If you are not registered in this course, the Department will not release any of your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at <https://student.uwo.ca>. If you notice a problem, please contact your home Faculty Academic Counsellor immediately.

**Prerequisite/Antirequisite Note:**

The prerequisite(s) for this course is (are) **Economics 1021A/B and Economics 1022A/B, or Economics 2001A/B.**

The antirequisite(s) for this course is (are) **Economics 2121A/B, Economics 2186A/B (if taken 2013-2014, 2014-2015), Economics 2300A/B, Economics 3332A/B, Economics 3346A/B, and MOS 3316A/B.**

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken any anti-requisite courses. Lack of prerequisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record but will ensure that spaces become available for students who require the course in question for graduation.

## **Course Description:**

An introduction to portfolio selection by individuals and firms. Topics include mean-variance portfolio theory, standard equilibrium pricing models, debt and equity instruments, and options and other derivatives. Although theory is integral to the subject matter, applications will be emphasized.

The first part of the course will cover the main tenets of mean variance portfolio theory to determine efficient portfolios and select the optimum portfolio.

The second part of the course will examine standard equilibrium pricing models such as the CAPM. Subsequently, the pricing of debt and equity instruments in their respective markets will be covered.

The course will conclude with an introduction to option pricing and other derivatives. Although much attention will be paid to the theoretical constructs of the material, applications will be emphasized.

## **Course Objectives:**

By the end of this course, students will:

1. Gain comprehensive knowledge of the diverse financial instruments utilized in the financial industry.
2. Develop the ability to critically evaluate and apply various financial economics theories in appropriate contexts.
3. Build the analytical and communication skills required to actively participate in debates on financial markets and monetary policy.

## **Course Learning Outcomes:**

Students will gain an understanding of the different types of financial instruments commonly utilized in the financial industry.

By the end of the course, students will be equipped to assess the application of various theories in financial economics and develop the technical skills essential for a career as a financial analyst. This course provides an introduction to the process and requirements involved in achieving the CFA.

## **Textbook(s) and Course Materials:**

**Required textbook:** The main text for the course is Bodie Z., A. Kane, A.J. Marcus, S. Perrakis and P. Ryan, Investments, 9th Canadian edition McGraw Hill Ryerson 2019.

The cost of the book is \$159.95.

<https://www.mheducation.ca/product/investments-9781260881257-can-group>

Students are allowed to use earlier edition

### **Assessments and Grading:**

You are expected to attend every lecture in its entirety. Questions on tests will be based on topics covered in the lectures and the textbook.

Midterm I..... 20%  
Midterm II..... 30%  
Final Test.....50 %

Midterm I..... 5<sup>th</sup> Feb 2025, 90 mins (Multiple choice and short questions)  
Midterm II..... 5<sup>th</sup> March 2025, 90 mins (Multiple choice and few short questions)  
Final Test.....To be announced by registrar

Students are allowed to miss Midterm 1 using self-attestation and notification to the instructor within 48 hours. Whenever self-attestation isn't possible to use (for Midterm 2 or final exam), if a student misses an examination due to illness or other acceptable excuse the student must present official documentation justifying the absence to the Academic Counselling (AC) office. Email your professor within 48 hours of the midterm time to notify that you are in the process of obtaining accommodation from the Academic Counselling office. For more details regarding academic accommodation, please see Western University's policies on pages 5 and 6 of this course outline. If the academic counsellor does not approve your absence from the midterm exam, or if there is no justification for your absence, a grade of zero is assigned. If the academic counsellor approves your absence from the midterm exam, the weight of the midterm will be added to the final exam.

Missing both midterms (with or without an approved absence) is likely to result in an inability to meet the course learning outcomes and you may not be permitted to write the final exam.

Students **MUST** keep abreast of course developments on an ongoing basis. Any changes to the course material, dates or assessments will be announced in class. Failure to keep up with course changes or date deadlines will not be considered for grade accommodations.

## **Course Outline**

Topics may be added or deleted as the course progresses. All changes to the outline, including any change to the order of topics taken up, will be announced on OWL Brightspace. Failure to regularly monitor OWL cannot be used as an excuse for not knowing about changes.

### **Portfolio Theory**

Risk and return (Chapter 5)

Utility and risk aversion (Chapter 6)

Optimal risky portfolio allocation (Chapter 7)

### **Equilibrium Models**

The index model and the capital asset pricing model (CAPM) (Chapter 8, 9)

Arbitrage pricing theory (APT) (Chapter 10)

### **Valuation of Debt and Equity**

Bonds (Chapter 14)

Term structure of interest rates (Chapter 15)

Fixed income portfolios (Chapter 16)

Equities (Chapter 18)

### **Derivative Markets**

Options and option valuation (Chapter 20,21)

Futures (Chapter 22)

Portfolio Performance Techniques (Chapter 24)

### **Market Efficiency**

Theories of market efficiency (Chapter 11)

Macroeconomics and Industry analysis (Chapter 17)

### **Professionalism, Privacy and Copyright:**

- Students are expected to follow the Student Code of Conduct.
- All lectures and course materials, including slides, presentations, outlines, and similar materials, are protected by copyright. Students may take notes and make copies of course materials for their own educational purposes only.
- Students may not record lectures, reproduce (or allow others to reproduce), post or distribute lecture notes, assessments, or any other course materials publicly and/or for commercial purposes without written consent.
- Recordings (audio or video) are not permitted without explicit, written permission. Permitted recordings may not be distributed or shared.

**PLEASE NOTE**  
**DEPARTMENT & UNIVERSITY POLICIES FOR WINTER 2025**

The University expects all students to take responsibility for their own Academic Programs. Students should also check their registration to ensure they are enrolled in the correct courses.

1. **Guidelines, policies, and your academic rights and responsibilities** are posted online in the current Western Academic Calendar at: <http://westerncalendar.uwo.ca>. Claiming that “you didn’t know what to do” is not an acceptable excuse for not following the stated policies and procedures.
2. A [\*new academic consideration and flexibility in assessment\*](#) policy is in effect starting September 2024. Students can miss one assessment per course per term without medical documentation. Faculty can designate one assessment per course for which students **cannot** self-attest.
3. Students must familiarize themselves with the “**Rules of Conduct for Examinations**” [http://www.uwo.ca/univsec/pdf/academic\\_policies/exam/administration.pdf](http://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf).
4. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat.” The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other Economics courses or programs. The University may impose further penalties such as suspension or expulsion.
5. **Plagiarism:** Students must write their essays and assignments in their own words. When taking an idea/passage from another author, it must be acknowledged with quotation marks where appropriate and referenced with footnotes or citations. Plagiarism is an academic offence (see Scholastic Discipline for Undergraduate Students in the Western Calendar at [http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page\\_20](http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_20)).

Western University uses software to check for plagiarism and students may be required to electronically submit their work. Those found guilty will be penalized as noted in point 4.

6. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments to the instructor.
7. **Appeals:** University policies and procedures for appealing a mark can be found in the Student Academic Appeals section in the current Western Academic Calendar at: [http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page\\_14](http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_14). **Please note the relevant deadlines.**

Department of Economics procedures for appealing a mark can be found here: [https://economics.uwo.ca/undergraduate/program\\_counselling/responsibilities\\_policies.html#appeals](https://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals). The Department will not consider an appeal unless an attempt has been made to

settle the matter with the instructor first. Students who remain dissatisfied with the outcome may proceed to submit an appeal to [econugrd@uwo.ca](mailto:econugrd@uwo.ca). Please follow the instructions and use the appeal form shown in the above link.

8. **Systematic adjustments of a class grade distribution** (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.
9. **ADD AND DROP DEADLINES:**

- Deadline to **ADD** second term full or half course: **January 14, 2025**
- Deadline to **DROP** second term full or half course: **March 31, 2025**

### **Policy Regarding Makeup Tests and Final Examinations**

Faculty of Social Science policy states that oversleeping or misreading an exam schedule is NOT grounds for a makeup. This rule applies to midterm and final exams in the Department of Economics.

### **Policies Regarding Academic Accommodation**

- Academic accommodation will not be granted automatically on request. Students must demonstrate by documentation that there are compelling medical or compassionate grounds before academic accommodation will be considered. The Faculty of Social Science's policies on academic accommodation are found at [https://counselling.ssc.uwo.ca/procedures/academic\\_consideration.html](https://counselling.ssc.uwo.ca/procedures/academic_consideration.html)
- **Accommodation for Students with Disabilities:** Students with disabilities or accessibility challenges should work with Accessible Education (formerly SSD, see [http://academicsupport.uwo.ca/accessible\\_education/index.html](http://academicsupport.uwo.ca/accessible_education/index.html)), which provides recommendations for accommodation based on medical documentation or psychological and cognitive testing. The accommodation policy can be found here: [Academic Accommodation for Students with Disabilities](#).
- **Rewriting Exams and Retroactive Reweighting are NOT Permitted:** Students who proceed to write a test or examination must be prepared to accept the mark. Rewriting tests or examinations, or retroactive reweighting of marks, is **not** permitted. Students must also book travel arrangements AFTER final exam dates have been posted as they must not conflict with test or final exams.
- Unless medically incapable of doing so, students must notify their instructor prior to the test date or at least within **48 hours** when requesting a makeup exam. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. Students should also set up an appointment as soon as possible to meet with their instructor. If the instructor is not available, send an email message to the instructor, copying the Undergraduate Coordinator at [econugrd@uwo.ca](mailto:econugrd@uwo.ca). **Notifying instructors of a missed exam does not automatically entitle students to a makeup.**

- For medical illnesses, students may consult Student Health Services and request a Student Medical Certificate from the physician. If assessed by an off-campus doctor, students must obtain a certificate from his/her office at the time of the visit/assessment. Student Medical Certificate (SMC) is available here:  
[https://www.uwo.ca/univsec/pdf/academic\\_policies/appeals/medical\\_certificate.pdf](https://www.uwo.ca/univsec/pdf/academic_policies/appeals/medical_certificate.pdf)
- **Documentation for Accommodation:** Individual instructors are not permitted to receive documentation directly from a student, whether in support of an application for consideration on medical grounds or for other reasons.
- **Western University policy on Consideration for Student Absence** is available here:  
[https://counselling.ssc.uwo.ca/procedures/academic\\_consideration.html](https://counselling.ssc.uwo.ca/procedures/academic_consideration.html)
- **Religious Accommodation:** Students should consult the University's list of recognized religious holidays and should give reasonable notice in writing, prior to the holiday, to the Instructor and an Academic Counsellor if their course requirements will be affected by a religious observance. Additional information is given in the 2024 Diversity Calendar available at <https://www.edi.uwo.ca/> (see bottom right of page).

**Policy Regarding Class Attendance and Engagement:** If the instructor deems a student's attendance or engagement in the class to be unsatisfactory, that student may be prohibited from writing the final examination. Examples of unsatisfactory class engagement include frequent absences from an in-person or synchronous online class, lack of assignment submissions, and inadequate use of online course materials. Instructors who intend to make use of this policy will notify the student in advance.

**Statement on Gender-Based and Sexual Violence:** Western is committed to reducing incidents of gender-based and sexual violence (GBSV) and providing compassionate support to anyone who is going through or has gone through these traumatic events. If you are experiencing or have experienced GBSV (either recently or in the past), you will find information about support services for survivors, including emergency contacts at the following website: [Get Help](#). To connect with a case manager or set up an appointment, please contact [support@uwo.ca](mailto:support@uwo.ca).

**Statement on Mental Health and Support Services:** Students who are in emotional/mental distress should refer to Mental Health@Western <http://www.uwo.ca/uwocom/mentalhealth/> for a complete list of options about how to obtain help.

**Statement on Remote Proctoring:** While Western intends to hold most classes, mid-terms and finals in-person, the London-Middlesex Health unity may require western to teach in a remote format. If this occurs, all assessments will be done remotely and may involve the use of remote proctoring software (i.e., Proctorio, ProctorTrack). Instructors will provide information on the details should the need arise.