

**BUS F726/V702 Syllabus  
Behavioral Finance  
Fall 2018**

**Finance and Business Economics Area  
DeGroot School of Business  
McMaster University**

**COURSE OBJECTIVE**

This purpose of this course is to introduce the student to the new field of behavioral finance. Whereas as in the past it was believed that instances of investor irrationality cancelled themselves out rendering markets perfectly efficient, because of advances in behavioral finance this view is being increasingly called into question. New work in this area has major implications for financial decision-makers.

**INSTRUCTOR AND CONTACT INFORMATION**

Class Time: Tuesday 11:30  
 Class Location: TBA  
 Professor: Dr. Richard Deaves  
 Teaching Assistant: Parastoo Ostad  
 Please email us at [deavesr@mcmaster.ca](mailto:deavesr@mcmaster.ca) / ...  
 Office: RJC #219  
 Office hours: By appointment  
 Tel: (905) 525-9140 x23976  
 Course Website: Go to Avenue  
 Blog: *Mind over Market* at [www.behavioralfinanceresearch.com](http://www.behavioralfinanceresearch.com)

**COURSE ELEMENTS**

Credit Value:	3	Leadership:	Yes	IT skills:	No	Global view:	Yes
Avenue:	Yes	Ethics:	No	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	No	Final Exam:	Yes	Guest speaker(s):	No

## COURSE PREREQUISITES

F600 or permission of instructor.

## LEARNING OUTCOMES

Upon completion of this course, students should:

- have a good understanding of the major concepts and issues in behavioral finance;
- and be able to apply these concepts in financial decision-making.

## TEXTBOOKS

All required readings will be made available online. For the most part the readings are from *Behavioral Finance Course Book, R. Deaves, 2018*. It is possible that there may be several other required readings.

## EVALUATION

You will be evaluated based on the following components according to the following weights:

### *Components and Weights*

Before-class quizzes <sup>1</sup> (Best 5 of 6 – see below for information)	10%
Test 1 (90 minutes; held in class; see Schedule for date)	21%
Test 2 (90 minutes; held in class; see Schedule for date)	21%
Test 3 (30 minutes; held in class; see Schedule for date)	8%
Group presentation <sup>2</sup> (see below for more information)	30%
Participation <sup>3</sup> (see below for more information)	10%
<b>Total</b>	<b>100%</b>

### NOTES:

1. **Brief quizzes (you will be given 5 minutes; please don't be late)** will be administered at the beginning of most lectures (starting by the second class). It should be easy to obtain high marks on these provided one has done the assigned reading and preparation. The best 5 will be averaged to obtain this component of the mark.
2. **Group presentation.** Students will be formed into groups with size and composition to be determined according to enrolment. Each group will do a class presentation on a theme relating Behavioral Finance and relevant issues

regarding Society and Finance. A large part of the task will be the analysis and presentation of several recent research articles to the class with a concerted attempt to make the material accessible and to tie it into real-world practice (potential or actual). More information on this assignment will be provided early in the semester.

3. **Where does the participation mark come from?** Attendance *per se* is at most a small part of the participation mark. In fact it is quite possible to attend very regularly and receive a low participation mark. That said, non-attendance will ensure you a poor participation mark. I am primarily after constructive and insightful contributions to the class discussion. I will assume that everybody has done all assigned work before class so one should be prepared to participate on this basis.

### ***Conversion***

I do not use a fixed percentage grading scale. That is, there is no fixed schedule that I use to map marks to letter grades. Your final grade will depend on how well you do relative to other people in your class moreover it will be at least as generous as the recommended conversion scheme.

### ***Communication and Feedback***

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors are encouraged to conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

<b>ACADEMIC DISHONESTY</b>
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You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at:

[www.mcmaster.ca/academicintegrity](http://www.mcmaster.ca/academicintegrity)

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

## **MISSED ACADEMIC WORK**

### ***Missed Mid-Term Examinations / Tests / Class Participation***

Where students miss a regularly scheduled mid-term or class participation for legitimate reasons as determined by the MBA Academic Services Office, the weight for that test/participation will be distributed across other evaluative components of the course at the discretion of the instructor. Documentation explaining such an absence must be provided to the MBA Academic Services Office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroot website at <http://mbastudent.degroote.mcmaster.ca/forms-and-applications>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

Students unable to write a mid-term at the posted exam time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, have the option of applying for special exam arrangements. Such requests must be made to the MBA Academic Services Office at least ten (10) working days before the scheduled exam along with acceptable documentation. Instructors cannot themselves allow students to unofficially write make-up exams/tests. Adjudication of the request must be handled by the MBA Academic Services Office.

If a mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

## **STUDENT ACCESSIBILITY SERVICES**

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

## **POTENTIAL MODIFICATIONS TO THE COURSE**

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

<b>COURSE SCHEDULE</b>
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<b>CLASS</b>	<b>Lectures/Readings/Deliverables</b>
<b>Class 1: September 11<sup>th</sup></b>	Lecture 1: Behavior. Preparation: Chapter 1 Course Book.
<b>Class 2: September 18<sup>th</sup></b>	Lecture 2: Preferences. Preparation: Chapter 2 Course Book. Quiz 1
<b>Class 3: September 25<sup>th</sup></b>	Lecture 3: Psychology. Preparation: Chapter 3 Course Book. Quiz 2
<b>Class 4: October 2<sup>nd</sup></b>	Lecture 4: Investors. Preparation: Chapter 4 Course Book. Quiz 3
<b>Class 5: October 9<sup>th</sup></b>	Test 1 Review. Preparation: Work on practice problems.
<b>Class 6: October 16<sup>th</sup></b>	<b>Test 1 (90 minutes in class)</b> Lecture 5: Intervention. Preparation: Chapter 5 Course Book.
<b>Class 7: October 23<sup>rd</sup></b>	Lecture 6: Efficiency. Preparation: Chapter 6 Course Book. Quiz 4
<b>Class 8: October 30<sup>th</sup></b>	Lecture 7: Anomalies. Preparation: Chapter 7 Course Book. Quiz 5
<b>Class 9: November 6<sup>th</sup></b>	Lecture 8: Markets. Preparation: Chapter 8 Course Book. Quiz 6
<b>Class 10: October 13<sup>th</sup></b>	Test 2 Review. Preparation: Work on practice problems.
<b>Class 11: November 20<sup>th</sup></b>	<b>Test 2 (90 minutes in class).</b> Lecture 9: Corporations. Preparation: Chapter 9 Course Book.
<b>Class 12: November 27<sup>th</sup></b>	Student presentations on Society and Finance.
<b>Class 13: December 4<sup>th</sup></b>	<b>Test 3 (30 minutes in class)</b> Student presentations cont.

Note: This schedule only shows assigned readings from the course textbook. There may be other assigned readings (e.g., research papers, blog posts and mini-cases) as well as assignment questions that will be taken up in class.