Department of Accounting and Finance
AG510 Behavioural Finance
2024/25 Semester 1
20 Module Credits

Module Details

Module Description

The module builds on your knowledge of finance and your understanding of finance theory developed through the core modules in years 1 to 3. This module introduces behavioural finance and provides an understanding of the main flaws of "traditional" finance theory from a behavioural finance viewpoint. It will allow you to develop the ability to competently discuss issues arising from violations of the rationality assumption and to enable you to evaluate new theoretical models based on research in psychology. The course will build appreciation of the role of new developments in finance and their possible implications for established views of financial markets.

Teaching Hours

Lectures: All weeks, Tuesday 9am-12pm in CW404 a&b. Please note week 8 of term will be a reading week without a formal session.

Prerequisites

Year 1-3 finance core classes.

Contact Details

Lecturer: Ms Juliane Thamm

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Office Hours: please refer to the AG429 myplace page

Module Learning

Module Aims

The aim of the module is to provide an understanding of the main ideas of behavioural finance. A particular emphasis is placed on understanding the roles of non-rational actions and the development of new financial models that incorporate these. Students will engage with up-to-date research and develop a critical view of existing and new finance theories and models.

Learning Objectives and Outcomes

The achievement of learning outcomes is necessary to successfully complete the module, both in terms of your learning development and in your module assessment. It is important, therefore, that you are confident about achieving these outcomes as the module progresses.

Subject-specific knowledge and skills

On completing this module, the students will be able to:

- A1   Evaluate the reasons for the existence of behavioural finance
- A2   Critique the main ideas of behavioural finance
- A3   Analyse the role of the assumption of rationality and violations thereof
- A4   Differentiate the roles of various decision making heuristics
- A5   Critique the main new models arising from behavioural finance
- A6   Evaluate selected applications of behavioural finance in corporate finance
- A7   Discuss the implications of behavioural finance for existing finance theory

Cognitive abilities and non-subject specific skills

In the course of this module students will be able to:

B1   discuss complex theoretical ideas and empirical evidence

B2   judge evidence for and against a range of theories

B3   develop and clearly communicate arguments

Module Structure

Timetable

	Lecture/workshop topics	Indicative reading

| wk 1	*Lecture* Course overview "new ideas" v "traditional" models (EMH) Limited arbitrage / non-rational agents	*Shleifer & Vishny(1997), Mitchell et al (2002), Fama (1998), Hirshleifer (2001),*
wk 2	*Workshop* Rationality – Savage axioms, von Neumann & Morgenstern, Ramsay	*Savage (1954), Ramsey (1931), von Neumann & Morgenstern (1944)*
wk 3	*Lecture* Violations of Savage axioms / Selected psychology evidence New Theories: prospect theory	*Kahneman & Tversky (1979), Tversky & Kahneman (1981) Odean (1998), Barberis, Huang & Santos (2001*
wk 4	*Workshop* New finance models: DHS, BSV, and Hong & Stein	*Daniel, Hirshleifer & Subramanyam(1998), Barberis, Shleifer & Vishny (1998), Hong & Stein (1999)*
wk 5	*Deadline for submission of article review* *Lecture* Behavioural Corporate Finance (+ review of workshop discussions)	*Shefrin (2007), Baker et al (2006)*
wk 6	*Lecture* Behavioural Biases and Investment / Psychological barriers in financial markets	*Massa & Siminov (2005), Dorn & Huberman (2005), Aggarwal & Lucey (2005)*
wk 7	*Workshop* Further applications of behavioural finance ideas / neuroeconomics / professional traders	*Statman (2005), Lo et al(2005), Shiv et al (2005)*
wk 8	Reading week – lecturer available for discussions	
wk 9	<mark>*Deadline for submission of essay*</mark> *Workshop* Persuasion in Finance/ The Adaptive Markets Hypothesis	*Mullainathan & Shleifer (2005), Lo (2004), Lo (2005)*
wk 10	*Lecture* Synthesis of workshops & reading week Review & Q&A for exam preparation	
wk 11	Self-study week Optional drop-in session for exam help	

Assessment and Feedback Details

1. Article discussion worth 20%. Due: Monday 21st of October 2024. Marks/Feedback will be released on or before Monday 11th of November 2024.

2. Essay worth 30%. Due: Monday 18th of November 2024. Marks/Feedback will be released on or before Monday 9th of December 2024.

3. Final exam. Date: During semester 1 exam diet.

An overall weighted average mark of 50% is required to pass the module.

It is a requirement for course completion to submit all assessed coursework. Non-submission of any part will result in an overall mark of zero being awarded for the module.

The following forms of feedback will assist you in this module:
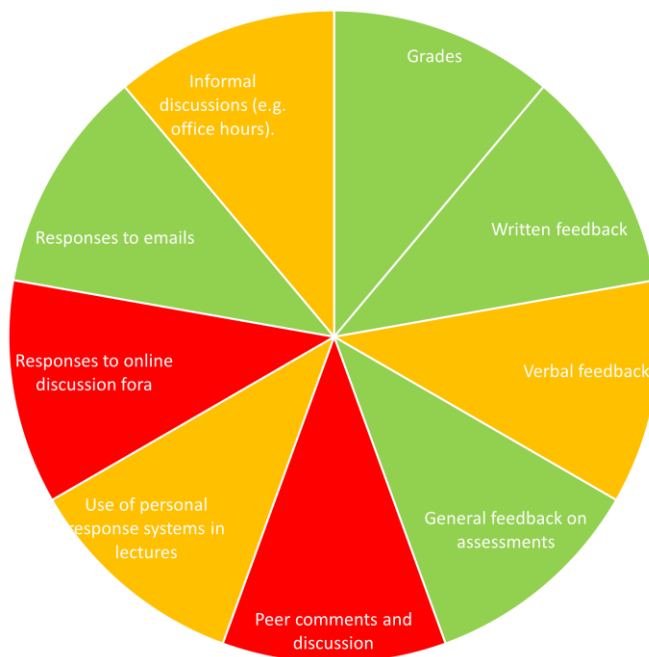
Artificial Intelligence

You are not permitted to use Gen-AI tools for this module unless you are a student with an adjustment report on Pegasus where this is explicitly specified as a 'reasonable adjustment'. Any student suspected of using such tools will be subject to investigation outlined in the [Student_Discipline_Procedure_-_Academic_Misconduct.pdf (strath.ac.uk)](strath.ac.uk) process.

Reading List

Please refer to the AG429/AG510 Myplace page to access the Reading List.

UG Module Manual (Honours)

Please refer to the accounting and finance UG manual module for the following ([Honours Module Manual.docx](#)):

- Tutorial Attendance
- Useful Contacts
- Penalties for Late Submission
- Feedback
- Compensation Scheme
- Resit Policy – no resits in honours year
- Universal Marking Guide
- Useful Links