AFIN805
Research Methodology in Finance
Semester 1, 2012

Department of Applied Finance and Actuarial Studies
Year and Semester: 2012, Semester 1

Unit convenor: Associate Professor Geoffrey Loudon

Prerequisites / Corequisites:

Permission of Associate Dean of Higher Degree Research

This is an advanced unit of study. Students should be strongly committed to undertake research in finance. They should possess high-level skills in logic and reasoning, critical thinking and quantitative analysis.

Credit points: 4

Students in this unit should read this unit guide carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

ABOUT THIS UNIT

- This unit introduces students to the methodology of research in finance. It examines both theoretical and empirical research design issues within the context of understanding how securities are priced in financial markets.

- The rationale of this unit is to prepare students for producing high quality research in finance. It helps them to develop a research proposal that is well motivated, properly designed and feasible to implement.

TEACHING STAFF

- Convenor: Associate Professor Geoffrey Loudon
  Room: E4A 230
  Tel: 9850 8536
  Email: geoff.loudon@mq.edu.au

CONTACTING STAFF

The convenor is available for student consultation on Monday 2-3pm during teaching weeks. Other times are available, but by prior arrangement only.

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special
circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct consultations by email. You may, however, phone staff during their consultation hours.

In order to gain access to staff located at levels 1, 2 and 3 of building E4A during their consultation hours please ring the staff member from the phones available in the lobby (phone numbers of relevant staff members will be provided on iLearn and are available next to the phones).

- Other ways of contacting staff

Contact the convenor during class time, consultation hours or by email to arrange an appointment.

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

## Classes

- Classes comprise a weekly, three-hour seminar. Students should attend all classes, both for learning and assessment purposes.
- The timetable for classes can be found on the University web site at: [http://www.timetables.mq.edu.au/](http://www.timetables.mq.edu.au/)

## Required and Recommended Texts and/or Materials

There is no prescribed textbook. Readings are taken from relevant academic books and journals. Refer to unit web site for further details on reading materials.

## Technology Used and Required

- Access to the unit Web Site.
- Word processing software for report writing.
- Software for producing visual aids during presentations.
- Specialised software, e.g. Matlab, SAS, R, etc, for manipulating data and econometric testing.

## Unit Web Page

- Course material is available on the learning management system (iLearn)
- The web page for this unit can be found at: [http://ilearn.mq.edu.au/course/view.php?id=3739](http://ilearn.mq.edu.au/course/view.php?id=3739)
- Students should consult the web page frequently. Learning, teaching and other reference materials are posted to this site throughout the semester.
LEARNING OUTCOMES

The learning outcomes of this unit are an increased ability by students to:

1. understand the nature of research;
2. critically evaluate research in finance;
3. conduct a small research project as part of a team of researchers;
4. develop a successful research proposal.

GRADUATE CAPABILITIES

1. Discipline Specific Knowledge and Skills
   a. Develop familiarity with current issues in finance research.
   b. Provide capacity to formulate meaningful research questions.
   c. Enhance capability to implement research projects.

2. Critical, Analytical and Integrative Thinking

3. Problem Solving and Research Capability

4. Creative and Innovative

5. Effective Communication

LEARNING AND TEACHING ACTIVITIES

- Teaching in this unit occurs in a workshop environment. Each session runs for three hours including breaks and consists of a variety of interactive learning activities.
- Since empirical research in finance is best learned by doing, this unit is taught interactively using an informal, ‘hands on’ approach. Students obtain most benefit from the unit by acquiring first hand familiarity with how to model price behaviour in financial markets. We therefore carefully work through research papers as well as accessing and analysing data. As research is a cooperative effort embracing shared knowledge and skills, you are actively encouraged to work together with your fellow students, wherever appropriate.
- Students must thoroughly read all assigned articles before coming to the class so that they are fully prepared to discuss the key issues. Students who do not voluntarily participate in class discussion should expect prompting from the instructor to contribute.
- Week-by-week list of the topics to be covered:

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>Conducting research in finance: theoretical aspects</td>
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<tr>
<td>2</td>
<td>Conducting research in finance: practical aspects</td>
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<tr>
<td>3</td>
<td>Empirical research methods in finance: part 1</td>
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<tr>
<td>4</td>
<td>Empirical research methods in finance: part 2</td>
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<tr>
<td>5</td>
<td>Return predictability</td>
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<td>6</td>
<td>Cross-sectional asset pricing tests</td>
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<td></td>
<td><em>Mid semester break</em></td>
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<td>7</td>
<td>Research proposal presentations: initial</td>
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<td>8</td>
<td>Asset pricing: the role of real factors</td>
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<tr>
<td>9</td>
<td>Option pricing</td>
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<td>10</td>
<td>Corporate finance</td>
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<td>11</td>
<td>Risk management</td>
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<tr>
<td>12</td>
<td>Behavioural finance</td>
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<tr>
<td>13</td>
<td>Research proposal presentations: final</td>
</tr>
</tbody>
</table>

**Research and Practice**

- This unit uses research from external sources
- This unit gives you practice in applying research findings in your assignments
- This unit gives you opportunities to conduct your own research
<table>
<thead>
<tr>
<th>Title/Name</th>
<th>Assessment Task 1</th>
<th>Assessment Task 2</th>
<th>Assessment Task 3</th>
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<tbody>
<tr>
<td></td>
<td>Research presentations</td>
<td>Research project</td>
<td>Research proposal</td>
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<tr>
<td>Description (including length or similar as applicable)</td>
<td>Present critiques of existing research.</td>
<td>Form a small group and replicate some existing research.</td>
<td>Prepare an individual research proposal</td>
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<tr>
<td>Due date</td>
<td>Presentations occur in class time at various times during semester.</td>
<td>May 22, 2012</td>
<td>June 12, 2012</td>
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<tr>
<td>% Weighting</td>
<td>20%</td>
<td>30%</td>
<td>50%</td>
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<tr>
<td>Grading method - marking criteria/standards - expectations in relation to presentation - referencing requirements</td>
<td>The unit web page contains full details of this assessment task and the marking criteria, etc.</td>
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<td>Submission method</td>
<td>Activity completed in class.</td>
<td>Email convenor a soft copy of the report and the data used.</td>
<td>Email convenor a soft copy of the proposal.</td>
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<td>Feedback (type, method, date)</td>
<td>Grading sheet returned to students in next class after their presentation.</td>
<td>Grading sheet returned to students in week13.</td>
<td>Grading sheet returned to students within 2 weeks of submission.</td>
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<td>Estimated student workload (hours)</td>
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<td>45</td>
<td>60</td>
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<td>These hours are estimates only and may vary across students.</td>
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<td>Learning outcomes assessed (max 6)</td>
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<td>Graduate capabilities assessed (max 4)</td>
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• Extension requests for assessment tasks will not be granted, except where adequate documentary evidence of illness or unavoidable disruption is provided. Absence from classes for which you are responsible for giving a presentation will not be accepted, except where adequate documentary evidence of illness or unavoidable disruption is provided.

In these circumstances, you may wish to consider applying for Special Consideration. The University’s policy on special consideration process is available at http://www.mq.edu.au/policy/docs/special_consideration/policy.html In any case, you must advise the convenor as soon as possible.

• Attendance: Students are expected to attend all classes. You are required to attend all classes for which you are responsible for giving a presentation.

• Examinations

  There is no final examination for this unit.

**ACADEMIC HONESTY**

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

**GRADES**

Macquarie University uses the following grades in coursework units of study:

HD - High Distinction
D - Distinction
CR - Credit
P - Pass
F - Fail
Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at: http://www.mq.edu.au/policy/docs/grading/policy.html

All final grades in the Department of Applied Finance and Actuarial Studies are determined by a grading committee and are not the sole responsibility of the Unit Coordinator.

Macquarie University’s Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a Standardised Numerical Grade (SNG).

The Standardised Numerical Grade (SNG) is not a summation of the individual assessment components.

To be awarded a specific grade, students are required to perform at an equivalent standard in the final examination and the overall assessment mark in the unit.

**GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING**

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandeconomics.mq.edu.au/new_and_current_students/graduate_current_students/how_do_i/grade_appeals

**SPECIAL CONSIDERATION**

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at: http://www.mq.edu.au/policy/docs/special_consideration/policy.html

**STUDENT SUPPORT SERVICES**

Macquarie University provides a range of Academic Support Services. Details of these and other services for students can be accessed at http://www.student.mq.edu.au.
IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when using University IT facilities. The following regulations apply to the use of computing facilities and online services:

● Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved units is deemed inappropriate.
● Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.