The Cameron School of Business at University of St. Thomas

1. Course Information

Course Title: Behavioral Finance
Course Number: FINA 5347
Course Section: NA
Credits: 3 hours
Semester: Fall 2015
Prerequisites: NA
Room: Jerabeck 201
Time: Monday: 7:00 p.m. – 9:45 p.m.

2. Instructor Information

NAME: Dr. Daniel Perez Liston
OFFICE LOCATION: Welder 204
OFFICE PHONE: 713-942-3499
OFFICE HOURS: M.: 4:30 p.m. – 6:50 p.m.
Tue.: 4:00 p.m. – 7:00 p.m.
W.: 4:30 p.m. – 6:30 p.m.
FAX NUMBER: 713-525-2110
E-MAIL: drperez@stthom.edu

3. Course Catalog Description

The purpose of this course is to provide an in-depth understanding of behavioral finance and how the concepts of this emerging field complement the traditional finance models. The course sheds light on the behavioral, as opposed to purely analytical, aspects of portfolio management, securities pricing, and investment practices. In this course, participants examine whether the standard economic paradigm adequately describes behavior in capital markets and learn the implications of alternative theories of such markets.
4. MSF Learning Goals

The Master of Science in Finance has six goals.

1. **Core of Finance Knowledge**
   MSF graduates will be knowledgeable in the critical areas in the field of Finance. Graduates will:
   - demonstrate competency in the key fields of Corporate Finance, Investments, Banking and Financial Institutions, Risk Management, and International Finance when they apply the knowledge in the required courses to solve Finance problems.

2. **Analytical and Critical Thinking Skills**
   MSF graduates will be analytical and critical thinkers. Graduates will:
   - demonstrate skills in analyzing financial reports
   - identify and evaluate complex financial problems by integrating the skills learned in the core Finance area.

3. **Value System**
   MSF graduates will anchor financial aspects of business activities in ethics and human values. Graduates will be able to:
   - identify and apply principles of ethical leadership and accountability as applicable to the financial aspects of business decisions
   - assess workplace behaviors and financial aspects of business decisions in terms of human values, ethical norms, and societal impact.

4. **Global Awareness**
   MSF graduates will be aware of global influences on financial decision-making. Graduates will be able to:
   - demonstrate a knowledge of global financial and foreign exchange markets.
   - identify the impact of global financial changes on multinational enterprises.

5. **Teamwork & Leadership**
   MSF graduates will be able to work effectively on team projects with individuals from diverse groups. Graduates will be able to:
   - demonstrate appropriate group techniques to participate in a team task
   - compile diverse contributions to produce a comprehensive outcome

6. **Communication Skills**
   MSF graduates will be effective communicators. Graduates will be able to:
   - prepare written reports on financial issues.
   - deliver effective presentations on financial issues.
5. **Course Learning Goals** *(and relationship to program goals and objectives)*

Upon successful completion of this course, you will be able to:

- Understand the key theories of behavioral finance and use this knowledge to make sound financial decisions (MSF Goal #1).
- Analyze and evaluate complex financial problems by integrating behavioral finance theories with neo-classical finance theories. (MSF Goal #2).
- Communicate effectively by preparing financial projects and reports that can be used to aid financial decision makers (MSF Goal #5).

6. **Texts, Readings, Materials**

**Required**

Readings will primarily consist of book chapters, cases, and scientific articles (see Section 13 for the list).


**Required financial calculator**

A financial calculator with cash flow functions (NPV, IRR) is recommended.

**Supplementary readings:**

**The Wall Street Journal or/and Business Week or/and Fortune Magazine**

I would like to encourage you to read business press outside the class. It will help you to relate topics covered in class to the real business world and enhance your class performance. Handouts will be provided in class and assigned reading will be posted on Blackboard.

7. **Instructional methods**
Class time will be devoted to lecture, discussion, and analysis of assigned cases and problems. Active participation in class is encouraged and required.

**8. Technology**

I will use blackboard course management system to post online materials, including sample problems for the exam. You are responsible for all problems on the web. I will be more than happy to discuss any questions you might have either in class or outside class.

**9. Course Policies**

1. **Reading assignments and homework assignments:**
   You are responsible for all of the material discussed in class, assigned in the readings, and problems assigned for homework.

2. **Make up exams**
   Make up exams will not be permitted unless I am notified of your absence before the exam date. Make up exams for excused absences will be scheduled at a time mutually agreeable to the instructor and the student.

3. **You should prepare for ALL regularly scheduled classes prior to the class meeting.** Also, you are expected to arrive on time and stay in class until the class period ends. If you know in advance that you will need to leave early, please notify me before the class period begins.

4. **Comments and questions are encouraged so that you can share with the whole class.** Private discussion or chatting with your peers are discouraged and will be viewed as disruptive for the learning environment. Please respect the class by not doing so.

5. **Participation performance is determined by your contribution to the learning process in class.** It includes, but not limited to, comments, personal insights, constructive questions, work experience, and answers to assignments and cases. Attendance is expected and required. If you missed three or more classes, your course grade, at the instructor's discretion, will be reduced by one letter grade. If you missed more than six classes, at the instructor's discretion, the grade will automatically become an F.

6. **The use of a cell phone is discouraged during the class period unless you are “on call.”**

7. **If you have special concerns about this class and the class policy, I encourage you to talk to me after class or during my office hours.** This should be done in the first week of class to allow us time to work out a plan to fully address your concerns. After this time period, I assume that you agree to, and will abide by, the class
policy.

8. Any student with a documented disability requiring accommodations in this course is encouraged to contact me after class or during office hours. Additionally, students will need to contact the office of Counseling Services for Students with Special Needs (Disability Services) at 713-525-3162 or 6953.

Accommodations
The University of St. Thomas abides by the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973, which stipulates that no student shall be denied the benefits of an education "solely by reason of a handicap." If you have a documented disability that may impact your performance in this class and for which you may require accommodations, you must be registered with and provide documentation of your disability to Counseling and Disability Services which is located on the second floor of Crocker Center. Contact Debby Jones or Rose Signorello at 713-525-6953 or 713-525-3162.

11. Student Grading Processes

Grades for this class will be determined by two exams, a final exam, various case study analyses, one term paper, and class participation. The two exams count for 40% of the total course grade, the term paper for 25%, case studies 10%, the final exam for 20%, and class participation for 5%.

Final grade:  
93-100    A  
90-92     A- 
87-89     B+ 
84-86     B  
80-83     B- 
70-79     C  
below 70  F

12. Course Tentative Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Assignments of topics, exams</th>
<th>Readings</th>
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<tbody>
<tr>
<td>1 Aug. 24</td>
<td>Course overview-- Review of standard finance, relation to behavioral finance</td>
<td>Thaler (1999); Chapter 1.</td>
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<tr>
<td>3 Sep. 7</td>
<td>No Class, Labor Day</td>
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<tr>
<td>4 Sep. 14</td>
<td>Why does the EMH fail?-- Limited attention, storing and retrieving information, availability bias</td>
<td>Barber, Odean and Zhu (2009)--Barber, Odean and Zheng (2005); Grinblatt and Keloharju (2001); Chapter 3</td>
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### Class Participation

The following criteria will be used to judge and grade your participation performance:

1. **Content Mastery:**
The student makes evident by classroom comments and/or responses to questions, an understanding of the facts, concepts, and theories presented in the assigned readings.

2. **Communication Skills:**
The student informs other students in a clear and constructive manner what he/she knows. Communication skills include listening to others and understanding what they have said, responding appropriately, asking clear constructive questions, building on the ideas of others, etc.

3. **Synthesis/Integration:**
The student shows the connections between this material and other material. For example, the student could take several ideas from the readings or class discussions and combine them to produce a new perspective on an issue, or the student could take outside

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<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>References</th>
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<tbody>
<tr>
<td>5</td>
<td>Sep. 21 Learning, overconfidence, attribution-- Perceiving uncertainty and forecasting, representativeness - heuristic</td>
<td>Kaustia and Knüpfer (2008); Barberis, Shleifer and Vishny (1998); Chapter 4</td>
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<td>7</td>
<td>Oct. 5 EXAM I</td>
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<td>8</td>
<td>Oct. 12 Anchoring, other biases-- Individual investors' behavior</td>
<td>Kaustia, Alho, and Puttonen (2008)- Kaustia and Torstila (2011); Kaustia and Knüpfer (2012); Kaustia (2010); Chapter 6</td>
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<td>9</td>
<td>Oct. 19 No Class, Fall Break</td>
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<td>11</td>
<td>Nov. 2 Social Responsibility</td>
<td>Perez Liston and Soydemir (2010), Perez Liston, Huerta, and Haq (2014), and other readings</td>
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<td>12</td>
<td>Nov. 9 Anomalies: Risk or mispricing?-- Sentiment and asset pricing</td>
<td>Fama and French (1996); Lakonishok, Shleifer and Vishny (1994); Daniel and Titman (1997)-- Baker and Wurgler (2006); Chapter 8</td>
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<td>13</td>
<td>Nov. 16 EXAM II</td>
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<td>14</td>
<td>Nov. 23 Corporate finance on biased markets</td>
<td>Baker and Wurgler (2000); Savor and Lu (2009); Malmendier and Tate (2008); Chapter 9</td>
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<td>15</td>
<td>Nov. 30 Final review</td>
<td></td>
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<tr>
<td>16</td>
<td>Dec. 7 Final exam</td>
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materials (personal experience, work experience, other classes etc.) and combine them to create insights.

4. **Creativity:**
The student shows further implications of the material by finding new ways of articulating or setting the materials, which produce significant insights, etc.

5. **Valuing:**
The student identifies values inherent to the material and offer rationales based on some value system.
Mission Statement: Cameron School of Business

The Cameron School of Business will serve students of diverse backgrounds, providing them the necessary professional skills for a changing global economy, and instilling in them a deep appreciation for ethical behavior as the hallmark of a successful and fulfilling business career. The Cameron School will provide its students a timely and comprehensive business curriculum, with opportunities for specialized study in major business fields. The faculty will provide quality teaching, as this is the core of our mission. As an extension of our teaching mission, the faculty will engage in scholarly activity and service to the University, the profession, and the community.

Academic Honesty

Ethical conduct is essential to a community of scholars and students searching for truth. Anything less than total commitment to honesty and honorable conduct undermines the efforts of the entire community. Academic integrity lies at the very heart of any institution of higher learning. In the Cameron School of Business, students and faculty are expected to commit to a code that exemplifies each individual's honor and integrity. Any conduct that violates this standard and betrays the respect of others is a matter of grave concern and, accordingly, is deemed unacceptable.
13. References


Shiller, Robert J., “From efficient market theory to behavioral finance”, *Journal of Economic Perspectives* 17(1), 83-104.


**Overview Survey Articles**

*Denotes that you read at least the abstract, introduction and conclusion.

**Denotes that you read the entire article.


**Non-Behavioral Finance**


**Some Motivating Evidence: Anomalies**


*Jegadeesh, Narasimhan, and Sheridan Titman, 1993, Returns to Buying Winners


**Limits to Arbitrage**


**Investor Behavior**


**Manager and Firm Behavior**

