



# AFIN7002

## Finance Empirical

Session 2, Special circumstance 2020

*Department of Applied Finance*

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### Disclaimer

Macquarie University has taken all reasonable measures to ensure the information in this publication is accurate and up-to-date. However, the information may change or become out-dated as a result of change in University policies, procedures or rules. The University reserves the right to make changes to any information in this publication without notice. Users of this publication are advised to check the website version of this publication [or the relevant faculty or department] before acting on any information in this publication.

### Notice

As part of [Phase 3 of our return to campus plan](#), most units will now run tutorials, seminars and other small group learning activities on campus for the second half-year, while keeping an online version available for those students unable to return or those who choose to continue their studies online.

To check the availability of face-to-face and online activities for your unit, please go to [timetable viewer](#). To check detailed information on unit assessments visit your unit's iLearn space or consult your unit convenor.

## General Information

Unit convenor and teaching staff Unit Convenor Tom Smith <a href="mailto:tom.smith@mq.edu.au">tom.smith@mq.edu.au</a>
Credit points 10
Prerequisites Permission by special approval
Corequisites
Co-badged status
Unit description This unit introduces students to the empirical methods of modern finance, and will highlight some of the key concepts involved in current empirical work in finance, such as a review of econometrics, intertemporal asset pricing models, CAPM, data issues, serial dependence, etc. After completing the unit, students should be able to reproduce (or otherwise) the results reported in the studies which have been examined.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

- ULO1:** Critically assess different financial models by using modern multivariate statistical methods.
- ULO2:** Gain expertise in testing empirical models.
- ULO3:** Appreciate data acquisition and data issues.
- ULO4:** Explore what the editors are looking for in terms of endogeneity sample selection and natural experiments.
- ULO5:** Effectively communicate results to an academic audience.

## General Assessment Information

Assessment criteria for all assessment tasks will be provided on the unit iLearn site.

It is the responsibility of students to view their marks for each within-session-assessment on iLearn within 20 days of posting. If there are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment tasks (not including the final exam mark) will not be addressed.

### Late submissions and extensions

Tasks 10% or less – No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for special consideration is made and approved.

Tasks above 10% - No extensions will be granted. There will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 20% penalty). This penalty does not apply for cases in which an application for special consideration is made and approved. No submission will be accepted after solutions have been posted.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Research Assignments</u>	40%	No	Assignment 1: 16th August; Assignment 2: 27th September
<u>Final Examination</u>	60%	No	During University Examination Period

## Research Assignments

Assessment Type <sup>1</sup>: Project

Indicative Time on Task <sup>2</sup>: 40 hours

Due: **Assignment 1: 16th August; Assignment 2: 27th September**

Weighting: **40%**

There will be two research assignments. Students will be required to reproduce results reported in the studies and present solutions to the problems generated. The report should not exceed 3,500 words.

On successful completion you will be able to:

- Critically assess different financial models by using modern multivariate statistical methods.
- Gain expertise in testing empirical models.
- Appreciate data acquisition and data issues.
- Explore what the editors are looking for in terms of endogeneity sample selection and

natural experiments.

- Effectively communicate results to an academic audience.

## Final Examination

Assessment Type <sup>1</sup>: Examination

Indicative Time on Task <sup>2</sup>: 20 hours

Due: **During University Examination Period**

Weighting: **60%**

A three hour online open book final exam will be held during the University Examination Period.

On successful completion you will be able to:

- Critically assess different financial models by using modern multivariate statistical methods.
- Gain expertise in testing empirical models.
- Appreciate data acquisition and data issues.
- Explore what the editors are looking for in terms of endogeneity sample selection and natural experiments.

<sup>1</sup> If you need help with your assignment, please contact:

- the academic teaching staff in your unit for guidance in understanding or completing this type of assessment
- the [Writing Centre](#) for academic skills support.

<sup>2</sup> Indicative time-on-task is an estimate of the time required for completion of the assessment task and is subject to individual variation

## Delivery and Resources

Textbooks	There are no required texts for this course. The following books are useful references: <ul style="list-style-type: none"><li>• Campbell, Lo and MacKinlay, 1997, <i>The Econometrics of Financial Markets</i>, Princeton University Press</li><li>• Cochrane, 2005, <i>Asset Pricing Revised Edition</i>, Princeton University Press</li></ul>
Delivery Format and Other Details:	See timetable for classes on the University web site at: <a href="http://www.timetables.mq.edu.au/">http://www.timetables.mq.edu.au/</a> and below.

# Unit Schedule

Module 1	Saturday/ Sunday 25th - 26th July
<i>Review of Econometrics</i>	<ul style="list-style-type: none"> <li>• Hansen</li> <li>• Jagannathan and Skoulakis</li> <li>• Lavine</li> <li>• Johannes and Polson</li> <li>• Class Notes</li> </ul>
<i>Intertemporal Asset Pricing Models</i>	<ul style="list-style-type: none"> <li>• Brown and Gibbons</li> <li>• Hansen and Singleton</li> <li>• Brav, Constantinides and Geczy</li> </ul>
<i>CAPM</i>	<ul style="list-style-type: none"> <li>• Gibbons, Ross and Shanken</li> <li>• Gibbons</li> <li>• Gibbons and Ferson</li> </ul>
Module 2	Saturday/ Sunday 15th -16th August
<i>Data Issues</i>	<ul style="list-style-type: none"> <li>• Scholes and Williams</li> <li>• Blume and Stambaugh</li> <li>• Working</li> </ul>
<i>Serial Dependence</i>	<ul style="list-style-type: none"> <li>• Fama and French</li> <li>• Lo and MacKinlay</li> <li>• Richardson and Smith</li> <li>• Class Notes</li> </ul>
<i>Distribution of Returns</i>	<ul style="list-style-type: none"> <li>• Richardson and Smith</li> <li>• Class Notes</li> </ul>
<i>Excess Volatility</i>	<ul style="list-style-type: none"> <li>• Shiller</li> <li>• Grossman and Shiller</li> <li>• Kleidon</li> </ul>
<i>Inequality Constraints</i>	<ul style="list-style-type: none"> <li>• Boudoukh Richardson and Smith</li> <li>• Class Notes</li> </ul>
<i>Interest Rates</i>	<ul style="list-style-type: none"> <li>• Constant Real Rate <ul style="list-style-type: none"> <li>◦ Fama</li> <li>◦ Nelson and Schwert</li> </ul> </li> <li>• Term Structure of Interest Rates <ul style="list-style-type: none"> <li>◦ Fama (1984)</li> <li>◦ Gibbons and Ramaswamy</li> </ul> </li> </ul>

Module 3	Saturday/ Sunday 26th - 27th September
<i>Endogeneity</i>	<ul style="list-style-type: none"> <li>• Heider and Ljungqvist</li> <li>• Gippel Smith and Zhu</li> </ul>
<i>Corporate Finance</i>	<ul style="list-style-type: none"> <li>• Debt and Taxes <ul style="list-style-type: none"> <li>◦ Graham</li> </ul> </li> <li>• Ownership and Performance <ul style="list-style-type: none"> <li>◦ Welch</li> </ul> </li> <li>• Takeovers <ul style="list-style-type: none"> <li>◦ Barraclough, Robinson, Smith and Whaley</li> </ul> </li> </ul>
<i>Data Snooping and Spurious Regression</i>	<ul style="list-style-type: none"> <li>• Harvey</li> <li>• Foster, Smith and Whaley</li> <li>• Ferson</li> <li>• Powell, Shi, Smith and Whaley</li> <li>• Class Notes</li> </ul>
<i>Market Microstructure</i>	<ul style="list-style-type: none"> <li>• Bollen, Smith and Whaley</li> <li>• Sidhu, Smith and Whaley</li> <li>• Class Notes</li> </ul>
<i>Review</i>	

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central>). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Students seeking more policy resources can visit the [Student Policy Gateway](https://students.mq.edu.au/support/study/student-policy-gateway) (<https://students.mq.edu.au/support/study/student-policy-gateway>). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central](http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central>).

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: <https://students.mq.edu.au/study/getting-started/student-conduct>

## Results

Results published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit [ask.mq.edu.au](http://ask.mq.edu.au) or if you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@mq.edu.au)

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

## Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to help you improve your marks and take control of your study.

- [Getting help with your assignment](#)
- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module](#)

The Library provides online and face to face support to help you find and use relevant information resources.

- [Subject and Research Guides](#)
- [Ask a Librarian](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

If you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@mq.edu.au)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/](http://www.mq.edu.au/about_us/)

[offices\\_and\\_units/information\\_technology/help/](#).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.