



# AFIN7002

## Finance Empirical

Session 2, Special circumstances 2021

*Department of Applied Finance*

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#### **Disclaimer**

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#### **Session 2 Learning and Teaching Update**

The decision has been made to conduct study online for the remainder of Session 2 for all units WITHOUT mandatory on-campus learning activities. Exams for Session 2 will also be online where possible to do so.

This is due to the extension of the lockdown orders and to provide certainty around arrangements for the remainder of Session 2. We hope to return to campus beyond Session 2 as soon as it is safe and appropriate to do so.

Some classes/teaching activities cannot be moved online and must be taught on campus. You should already know if you are in one of these classes/teaching activities and your unit convenor will provide you with more information via iLearn. If you want to confirm, see the list of [units with mandatory on-campus classes/teaching activities](#).

Visit the [MQ COVID-19 information page](#) for more detail.

## General Information

Unit convenor and teaching staff

Unit Convenor

Jing Shi

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Jing Shi

[jing.shi@mq.edu.au](mailto:jing.shi@mq.edu.au)

Credit points

10

Prerequisites

Permission by special approval

Corequisites

Co-badged status

Co-badged with AFIN8002

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 (including information about late submissions and extensions) for all assessment tasks will be provided by the Unit Convenor.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#">Research Assignments</a>	40%	No	Assignment 1: Sun 29th Aug; Assignment 2: Sun 26th Sept
<a href="#">Final Examination</a>	60%	No	Thurs 11 Nov, 2-5pm

### Research Assignments

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

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

Due: **Assignment 1: Sun 29th Aug; Assignment 2: Sun 26th Sept**

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: **Thurs 11 Nov, 2-5pm**

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

<b>Textbooks</b>	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>
<b>Delivery Format and Other Details:</b>	Will be communicated via the Unit Convenor

## Unit Schedule

Module 1	Saturday 24th and Sunday 25th 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>
<b>Module 2</b>	<b>Saturday 28th and Sunday 29th August</b>
<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>
<b>Module 3</b>	<b>Saturday 25th and Sunday 26th September</b>
<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 \(https://policies.mq.edu.au\)](https://policies.mq.edu.au). 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](#)

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

To find other policies relating to Teaching and Learning, visit [Policy Central \(https://policies.mq.edu.au\)](https://policies.mq.edu.au) and use the [search tool](#).

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: <https://students.mq.edu.au/admin/other-resources/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](https://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/offices\\_and\\_units/information\\_technology/help/](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.