AFIN7002
Finance Empirical
Session 2, Special circumstances 2021

Department of Applied Finance

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Disclaimer

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Notice

Some on-campus classes have moved online for the first two weeks of Session, before returning to campus in Week 3. If you are studying a unit outside of the primary Session 2 timetable, please contact your teaching staff team for further details.

Some classes/teaching activities cannot be moved online and must be taught on campus. To find out if you are enrolled in one of these classes/teaching activities, you can check to see if your unit is on the list of units with mandatory on-campus classes/teaching activities.

Your Unit Convenor will provide more information via an iLearn announcement when your iLearn unit becomes available.
**General Information**

Unit convenor and teaching staff
Unit Convenor
Jing Shi
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://students.mq.edu.au/important-dates](https://students.mq.edu.au/important-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

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Hurdle</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Assignments</td>
<td>40%</td>
<td>No</td>
<td>Assignment 1: Sun 29th Aug; Assignment 2: Sun 26th Sept</td>
</tr>
<tr>
<td>Final Examination</td>
<td>60%</td>
<td>No</td>
<td>Thurs 11 Nov, 2-5pm</td>
</tr>
</tbody>
</table>

Research Assignments
Assessment Type: Project
Indicative Time on Task: 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: Examination
Indicative Time on Task: 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.

1 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 Learning Skills Unit for academic skills support.

2 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

<table>
<thead>
<tr>
<th>Textbooks</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are no required texts for this course. The following books are useful references:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Delivery Format and Other Details:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will be communicated via the Unit Convenor</td>
</tr>
</tbody>
</table>

## Unit Schedule

<table>
<thead>
<tr>
<th>Module 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saturday 24th and Sunday 25th July</td>
</tr>
<tr>
<td><em>Review of Econometrics</em></td>
</tr>
<tr>
<td>• Hansen</td>
</tr>
<tr>
<td>• Jagannathan and Skoulakis</td>
</tr>
<tr>
<td>• Lavine</td>
</tr>
<tr>
<td>• Johannes and Polson</td>
</tr>
<tr>
<td>• Class Notes</td>
</tr>
</tbody>
</table>
### Intertemperal Asset Pricing Models
- Brown and Gibbons
- Hansen and Singleton
- Brav, Constantinides and Geczy

### CAPM
- Gibbons, Ross and Shanken
- Gibbons
- Gibbons and Ferson

### Module 2  
**Saturday 28th and Sunday 29th August**

### Data Issues
- Scholes and Williams
- Blume and Stambaugh
- Working

### Serial Dependence
- Fama and French
- Lo and MacKinlay
- Richardson and Smith
- Class Notes

### Distribution of Returns
- Richardson and Smith
- Class Notes

### Excess Volatility
- Shiller
- Grossman and Shiller
- Kleidon

### Inequality Constraints
- Boudoukh Richardson and Smith
- Class Notes

### Interest Rates
- Constant Real Rate
  - Fama
  - Nelson and Schwert
- Term Structure of Interest Rates
  - Fama (1984)
  - Gibbons and Ramaswamy

### Module 3  
**Saturday 25th and Sunday 26th September**

### Endogeneity
- Heider and Ljungqvist
- Gippel Smith and Zhu

### Corporate Finance
- Debt and Taxes
  - Graham
- Ownership and Performance
  - Welch
- Takeovers
  - Barraclough, Robinson, Smith and Whaley
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). 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). 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 (https://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/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 or if you are a Global MBA student contact 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) 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 Enquiry Service

For all student enquiries, visit Student Connect at ask.mq.edu.au

If you are a Global MBA student contact globalmba.support@mq.edu.au

Equity 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.

IT Help

For help with University computer systems and technology, visit 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.