Australian School of Business
School of Banking and Finance

FINS3775 / FINS4775 / FINS5575
RESEARCH METHODS IN FINANCE 1

COURSE OUTLINE
SESSION 1, 2008
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1. COURSE STAFF
Lecturer in Charge
Dr Sian Owen
Office: Heffron Building 343
Email: Sian.Owen@unsw.edu.au
Tel: 02 9385 4412

1.1 Communication with Staff
Consultation Hours: To be announced
Outside these hours, meetings are by prior appointment only. To arrange
an appointment you should send an e-mail to request a meeting at a
mutually convenient time.

2. INFORMATION ABOUT THE COURSE

2.1 Teaching times and Locations

Lectures and Lab classes:
Wednesday 9am to 12 noon

Locations:
Australian School of Business (Heffron Building) Room 115 and Quad
Lab 10 (Quadrangle Building Room 1038)

Each week we will start the class in the ASB lecture theatre and then
move to Quad lab 10 which is also booked for the same times. As a
general rule, we will spend the first two hours of the class in the lecture
theatre and the last hour in the lab but the timing of the move between
the two may vary a little from week to week depending on the material
covered. In some weeks, there will be no lab component.

2.2 Units of Credit
This course has a value of 6 Units of Credit (UOC). It has a workload of
3 hours of lectures per week and the workload is at least 10 hours per
week.

2.3 Parallel teaching in the course
There is parallel teaching (UG / Honours / PG) involved in this course.
2.4 Relationship of this course to other course offerings

Prerequisite:
Enrolment in FINS3775 and FINS4775 require a credit or better in FINS2624, whilst enrolment in FINS5575 requires school approval.

In addition:
Mathematical Requirements: It is assumed that you are familiar with the materials covered in Quantitative Methods A and B.

Finance Requirements: In terms of the requirements for finance, you must have completed at least 5 finance courses and have a good understanding of either banking or finance.

Other Requirements: It is also assumed that students can use standard word processing and spreadsheet packages (e.g. Word and Excel) and have easy access to the internet.

2.5 Approach to Learning and Teaching
This course is designed to involve a combination of lectures, lab classes and problem solving. Students will be required to complete both individual and team assessments. You are also strongly encouraged to do your assignments on campus in one of the Quad computing labs creating an environment where students can help and learn from each other. You must do the assignments to learn the materials covered in this course. Reading the books and manuals is not adequate.

3. COURSE AIMS AND OUTCOMES

3.1 Course Aims
This course provides an introduction to econometric theory and its application in empirical finance. Much emphasis is on the practical aspects and interpretation. There is extensive use of leading statistical and econometric software that is employed extensively in both research and practice.

3.2 Student Learning Outcomes
By the end of this course, you should be able to:

- Understand and apply various econometric techniques to the analysis and modelling of financial data
- Understand the use of these techniques in financial research
- Be able to read and critique financial research papers
• Access various databases and retrieve data in a timely and effective manner

3.3 Teaching Strategies
This course is presented through a combination of formal lectures, problem solving and computer lab classes. The lectures are used to explain concepts and to give real life examples of situations in which these concepts are used. Problems will be given to assist students in developing understanding and to check their progress. The lab classes are to give students an opportunity to integrate the theories introduced in the lectures with spreadsheet applications.

4. STUDENT RESPONSIBILITIES AND CONDUCT

4.1 Workload
It is expected that you will spend at least ten hours per week studying this course. This time should be made up of reading, research, working on exercises and problems, and attending classes. In periods where you need to complete assignments or prepare for examinations, the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

4.2 Attendance
Your regular and punctual attendance at lectures and seminars is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment.

4.3 General Conduct and Behaviour
You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at: www.my.unsw.edu.au

4.4 Keeping informed
You should take note of all announcements made in lectures, tutorials or on the course web site. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information.

5. LEARNING ASSESSMENT

5.1 Formal Requirements
In order to pass this course, you must:

• Achieve a composite mark of at least 50
• Make a satisfactory attempt at all of the assessments, detailed below

5.2 Assessment Details

The assessment tasks on this course are:

• Individual assignment: This assignment will involve the collection and analysis of some financial data allowing students to evaluate the progress on the early sections of the course. This has a weight of 10%
• Mid-semester test: This individual piece of assessment will take place in class in week 6 and carries a weight of 30%. More details will be made available via WebCT Vista closer to the time.
• Group assignment: This assignment will require the collection and analysis of financial data. Discussion and interpretation of the results will be required. You will carry out this task in groups. Details will be posted on the web including information on the format of this assignment and how to submit it. The project has a weight of 30%.
• Final exam: An individual written piece of assessment covering the entire semester and carrying a weight of 30%. More details will be made available via WebCT Vista closer to the time.

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<th>Summary of Assessment Procedures</th>
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<td><strong>Exam / Test</strong></td>
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<td>Final Exam</td>
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5.3 Assignment Submission Procedure
Information on how to submit the assignment will be distributed with the assignment question.

5.4 Late Submission
Information about late submission and the penalties will be distributed with the assignment question.

5.5 Special Consideration and Supplementary examinations
UNSW policy and process for Special Consideration applies (see https://my.unsw.edu.au/student/atoz/SpecialConsideration.html).
Specifically:

- Applications for special consideration (including supplementary examinations) must go through UNSW Central administration (within 3 working days of the assessment to which it refers)
- Applying for special consideration does not automatically mean that you will be granted additional assessment or that you will be awarded an amended result;
- If you are making an application for special consideration (through UNSW Central Administration) please notify your Lecturer in Charge and supply a copy of your applications complete with all supporting documentation
- Please note: a register of applications for Special Consideration is maintained. History of previous applications for Special Consideration is taken into account when considering each case.

6. ACADEMIC HONESTY AND PLAGIARISM
The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see: http://www.lc.unsw.edu.au/plagiarism/index.html

Plagiarism is the presentation of the thoughts or work of another as one’s own.*  Examples include:
• direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, website, Internet, other electronic resource, or another person’s assignment without appropriate acknowledgement;
• paraphrasing another person’s work with very minor changes keeping
the meaning, form and/or progression of ideas of the original;
• piecing together sections of the work of others into a new whole;
• presenting an assessment item as independent work when it has been
produced in whole or part in collusion with other people, for example,
another student or a tutor; and,
• claiming credit for a proportion a work contributed to a group
assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for
academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution
appropriate to the academic discipline does not amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of
plagiarism, as set out in the University Undergraduate and Postgraduate
Handbooks, and are encouraged to seek advice from academic staff
whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for
staff and student information on plagiarism and academic honesty. It can
be located at:

www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written
materials, workshops, and tutorials to aid students, for example, in:

• correct referencing practices;
• paraphrasing, summarising, essay writing, and time management;
• appropriate use of, and attribution for, a range of materials including
text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important
part of study and one of the identified causes of plagiarism is poor time
management. Students should allow sufficient time for research, drafting,
and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James
Ethics Centre. Used with kind permission from the University of Newcastle
† Adapted with kind permission from the University of Melbourne.
7. STUDENT RESOURCES

7.1 Course Resources

Prescribed textbook

Other texts that students may find useful include:

In addition, research articles and other readings will be made available via WebCT Vista.

WebCT Vista

WebCT Vista is used to disseminate lecture notes, tutorial problems and selected answers, assessment details, journal papers and announcements. This is the only place where these resources can be accessed. Students should make a point of checking this site regularly.

7.2 Other Resources, Support and Information

The University and the Faculty provide a wide range of support services for students, including:

- **Learning and study support**
  - FCE Education Development Unit (http://education.fce.unsw.edu.au)
  - UNSW Learning Centre (http://www.lc.unsw.edu.au)
  - EdTec – WebCT information (http://www.edtec.unsw.edu.au)

- **Counselling support** - http://www.counselling.unsw.edu.au

- **Library training and support services** - http://info.library.unsw.edu.au

- **Disability Support Services** – Those students who have a disability that requires some adjustment in their teaching or learning environment are encouraged to discuss their study needs with the Course Coordinator or
the Equity Officer (http://www.equity.unsw.edu.au/disabil.html). Early notification is essential to enable any necessary adjustments to be made.

In addition, it is important that all students are familiar with University policies and procedures in relation to such issues as:

- **Examination procedures** and advice concerning illness or misadventure [https://my.unsw.edu.au/student/academiclife/assessment/examinations/examinationrules.html](https://my.unsw.edu.au/student/academiclife/assessment/examinations/examinationrules.html)


**8. CONTINUAL COURSE IMPROVEMENT**

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW’s Course and Teaching Evaluation and Improvement (CATEI) Process ([http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm](http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm)) is one of the ways in which student evaluative feedback is gathered. Significant changes to courses and programs within the School are communicated to subsequent cohorts of students.
9. Course Schedule

Week 1. Introduction to the Course and Simple Regression

Week 2. Multiple regression

Week 3. Issues with Regression

Week 4. Cross-sectional models in finance research

Week 5. Dynamic Models

Week 6. Mid-semester Test
• Details to be released via WebCT

Week 7. Trends, stationarity and time series data

Week 8. Time series forecasting

Week 9. ARCH and GARCH models

Week 10. Time series and GARCH models in finance research

Week 11. Limited dependent variable and duration data models and their use in financial research

Week 12. Revision

Reading (Chapters from Gujarati)

Weeks 1 to 3 Chapters 1 to 13
Week 5 Chapter 17
Week 7 Chapter 21
Weeks 8 and 9 Chapter 22
Week 11 Chapter 15