

FIN 560: Behavioral Finance

Texas A&M University, Commerce SPRING_2024 Course Syllabus

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Office hours:
or by appointment.

Course Objective

Finance is a decision-making process; however, many times, individuals and finance professionals deviate from rational behavior or make decisions that are driven by emotional and/or judgmental perspectives. This course is focused on how participants make financial decisions, and how those decisions differ from the theory of finance. The course offers arguments and examples that demonstrate the presence of psychological biases in financial decision-making. The course further explores the implications of those behavioral biases in various investment and financing decisions taken by individuals and firms. The course also evaluates how the insights of behavioral finance balance the traditional finance models.

Since this course requires a good understanding of both theory and practice; therefore, it is important that students pay close attention to topics covered in class. It is very important that students maintain sincerity of purpose in completing the relevant chapters, HWs, and Quizzes in a timely manner. A detailed “weekly chart” is given below that shows what topics/chapters will be covered each week. I will provide detailed lecture notes and other resources on each chapter. As well as reading the lectures, it is important to spend a few hours preparing the assignment before each lecture and to spend time after each lecture going over the readings and the notes. You will be given homework assignments for each chapter discussed; students will have great benefits doing those assignments both from an exam point of view and improving their overall grades. I understand that participants in this course have a wide range of backgrounds and skills. Some of you may have a strong quantitative background, while some may find the arithmetic required for this class as hard. My hope is to make the course as inclusive as possible, consistent with the presumption that everyone gets a fair opportunity to learn and apply these skills.

Course Materials

We will be using *Behavioral Corporate Finance*, Second Edition, by Hersh Shefrin, **ISBN-13: 9781260152791**, as the **primary textbook** published by McGraw-Hill.

Learning Objectives:

LO1: To provide students with a broad idea of the ways in which cognitive errors, such as psychological bias, influence our financial decisions.

LO2: How do the decisions prescribed by behavioral finance differ from the decisions implied by traditional finance?

LO3: Explains the inconsistencies between traditional finance and actual human behavior.

LO4: Implications of behavioral finance on investment decisions, financial markets, managerial mistakes, the role of uncertainty and risk and stock market puzzles.

Criteria (Course Objectives)	1 (Unsatisfactory)	2 (Emerging)	3 (Proficient)	4 (Exemplary)
Demonstrate an understanding of the fundamental concepts of corporate finance and its principles and methods.	Student cannot demonstrate an understanding any of the fundamental concepts of corporate finance and its principles and methods.	Student can demonstrate some understanding of the fundamental concepts of corporate finance and its principles and methods.	Student can demonstrate understanding of all of the fundamental concepts of corporate finance and its principles and methods and analyze issues accordingly.	Student can demonstrate understanding of all of the fundamental concepts of corporate finance and its principles and methods and display an ability to analyze and synthesize accordingly.
Understand and apply valuation techniques of securities, projects and corporations.	Student cannot demonstrate an understanding of any valuation techniques of securities, projects and corporations.	Student can demonstrate an understanding of valuation techniques but none of the application to the projects or corporations.	Student can demonstrate an understanding of valuation techniques and all of the application to the projects or corporations and can analyze issues accordingly.	Student can demonstrate an understanding of valuation techniques and all of the application to the projects or corporations and display an ability to analyze and synthesize accordingly.
Demonstrate an understanding and show ability to measure financial decisions in a risk/return environment.	Student cannot demonstrate an understanding of these processes or there measurement.	Student can demonstrate an understanding of these processes but not the measurement.	Student can demonstrate an understanding of these processes and there measurement and can analyze issues accordingly.	Student can demonstrate an understanding of all of these processes and there measurement and display an ability to analyze and synthesize accordingly.

Following is the schedule for each week:

Disclaimer: *The following weekly schedule is a tentative schedule, and it might change.*

Summary of Weekly Schedule

Modules	Chapters	Assignments	Due Date
WEEK 1 (1/29/24- 2/4/24)	1	HW_1 and Discussion#1	2/4/24, 11.59 pm CST
WEEK 2 (2/5/24- 2/11/24)	2	HW_2	2/11/24, 11.59 pm CST
WEEK 3 (2/12/24- 2/18/24)	3	HW_3	2/18/24, 11.59 pm CST
WEEK 4 (2/19/24- 2/25/24)	4	HW_4 and Discussion#2	2/25/24, 11.59 pm CST
WEEK 5 (2/26/24 – 3/3/24)		Review of Chapters 1 to 4 And EXAM 1 (Based on Chapters 1, 2, 3, and 4) The exam will be activated at 9 am CDT, Saturday, 3/2/24	Sunday, 3/3/24, 11.59 pm CDT.
WEEK 6 (3/4/24- 3/10/24)	5	HW_5	3/10/24, 11.59pm CST
WEEK 7 (3/11/24 – 3/17/24)		Spring Break – No Classes	
WEEK 8 (3/18/24- 3/24/24)	6	HW_6	3/24/2024, 11.59pm CST
WEEK 9 (3/25/24- 3/31/24)	7	HW_7	3/31/2024, 11.59pm CST
WEEK 10 (4/1/24 – 4/7/24)		Review of Chapters 5 to 7 And EXAM 2 (Based on Chapters 5, 6, and 7) The exam will be activated at 9 am CDT, Saturday, 4/6/24	Sunday, 4/7/24, 11.59 pm CDT.
WEEK 11 (4/8/24- 4/14/24)	8	HW_8	4/14/24, 11.59pm CST
WEEK 12 (4/15/24- 4/21/24)	9	HW_9	4/21/24, 11.59pm CST

WEEK 13 (4/22/24- 4/28/24)	10	HW_10 and Discussion#3	4/28/24, 11.59pm CST
WEEK 14 (4/29/24- 5/3/24)	11	HW_11 and Discussion#4	5/3/24, 11.59pm CST
WEEK 15 (5/4/24 – 5/10/24)		Review of Chapters 8 to 11 And EXAM 3 (Based on Chapters 8, 9, 10, and 11) The exam will be activated at 9 am CDT, Monday, 5/6/24	Tuesday, 5/7/24, 11.59 pm CDT.

Important details about the assignments:

HW Assignments: You will get unlimited attempts to complete HW assignments within the set deadline as outlined in the summary schedule above.

Discussions: You will get unlimited attempts to post your answer to a discussion within the set deadline as outlined in the summary schedule above. You must comment on two other posts to receive the full credit.

Exams: Exams are timed and you will get a maximum of 120 minutes to complete an exam. You will get only one attempt to take an exam so make sure you select the time period when you can sit for 120 minutes without any disruption.

Note: Exams are closed-book assignments, but you are allowed to use a one-page formula sheet, Excel, and a calculator while taking the exam.

The exam date/day and chapters may change, and you will be notified in advance in such situations.

Exams will be based on the material covered in class and assigned readings. The schedule for the exams is given above, and you are expected to take them as scheduled. Students are allowed to use one 8½”×11” sheet of paper with formulas on both sides of the formula sheet.

Assessment

There will be an assignment at the end of each chapter discussion. These will be problem sets designed to help you acquire important skills and consolidate your understanding of ideas from the lectures. There will be four exams altogether (three midterms and one final). All exams will be a closed book, but based on the chapters, I will either provide you with or allow you to bring one 8 ½ x 11 sheet of paper into the exam with selected formulas.

A final grade will be based on your performance on three different segments. These three segments are Exams, HWs/Assignments, and Quizzes.

The following weight is assigned to each segment:

Exams: 48%

HWs/Assignments: 36%

Discussions: 16%

Total = 100%

There will be three exams—2 mid-term exams and a Final.

Each exam is worth 16 percent of the overall grade.

There will be 11 HWs, which means each HW is equal to 3.273 percent.

Four Discussions will be assigned over the semester, and each discussion is equal to 4 percent of the overall grade.

IMPORTANT:

Grade Determination

The course grade will be determined as follows:

A = 90%-100%

B = 80%-89%

C = 70%-79%

D = 60%-69%

F = 59% or Below

No assignment or extra credit will be given to individual students to improve grades. Every grading component will be provided to all students.

Important Notes

Please read carefully.

1. If you should be late for an exam, no extra time will be allotted to you.
2. Cheaters will be prosecuted to the fullest extent. Please note the following statement:

“A fundamental principle of academic, business, and community life is honesty. Violation of this ethical concept will result in penalties ranging from a grade of “F” in the course to dismissal from the university. In all penalties, a letter of fact will be included in the student’s file.”

3. You will be responsible for any material covered in class that is not in your text.
4. You are responsible for withdrawing from the class should you decide to do so.
5. You are expected to be on time for class. This is especially important for exam dates.

Computer Related Issues

I randomly hear from students that “My computer crashed while I was doing the assignment,” “I accidentally closed the webpage,” or “My computer disabled during the assignment,” etc. Please make sure that you have another computer ready in case something goes wrong with the computer you are working on, or go to the campus lab or public library to complete the assignments to avoid such issues. It is your responsibility to have other alternatives ready in case things go wrong with your computer.

Communication and Support

Brightspace Support

Need Help?

Student Support

If you have any questions or are having difficulties with the course material, please contact your Instructor.

Technical Support

If you are having technical difficulty with any part of Brightspace, please contact Brightspace Technical Support at 1-877-325-7778 or click on the **Live Chat** or click on the words “[click here](#)” to submit an issue via email.



System Maintenance

D2L runs monthly updates during the last week of the month, usually on Wednesday. The system should remain up during this time unless otherwise specified in an announcement. You may experience minimal impacts to performance and/or look and feel of the environment.

Interaction with Instructor Statement

*Email is the preferred method of communication.

COURSE AND UNIVERSITY PROCEDURES/POLICIES

Syllabus Change Policy

The syllabus is a guide. Circumstances and events, such as student progress, may make it

necessary for the instructor to modify the syllabus during the semester. Any changes made to the syllabus will be announced in advance.

University Specific Procedures

Student Conduct

All students enrolled at the University shall follow the tenets of common decency and acceptable behavior conducive to a positive learning environment. The Code of Student Conduct is described in detail in the [Student Guidebook](http://www.tamuc.edu/Admissions/oneStopShop/undergraduateAdmissions/studentGuidebook.aspx).
<http://www.tamuc.edu/Admissions/oneStopShop/undergraduateAdmissions/studentGuidebook.aspx>

Students should also consult the Rules of Netiquette for more information regarding how to interact with students in an online forum: [Netiquette](http://www.albion.com/netiquette/corerules.html) <http://www.albion.com/netiquette/corerules.html>

University's Pandemic Response

For more information about the university's pandemic response, please visit the following link.
<https://new.tamuc.edu/wp-content/uploads/2020/07/20092-Fall-2020-Return-Plan-for-Students-Faculty-and-Staff-RTV.pdf>

TAMUC Attendance

For more information about the attendance policy please visit the [Attendance](http://www.tamuc.edu/admissions/registrar/generalInformation/attendance.aspx) webpage and [Procedure 13.99.99.R0.01](http://www.tamuc.edu/admissions/registrar/generalInformation/attendance.aspx).

<http://www.tamuc.edu/admissions/registrar/generalInformation/attendance.aspx>

<http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/13students/academic/13.99.99.R0.01.pdf>

Academic Integrity

Students at Texas A&M University-Commerce are expected to maintain high standards of integrity and honesty in all of their scholastic work. For more details and the definition of academic dishonesty see the following procedures:

[Undergraduate Academic Dishonesty 13.99.99.R0.03](http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/13students/undergraduates/13.99.99.R0.03UndergraduateAcademicDishonesty.pdf)

<http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/13students/undergraduates/13.99.99.R0.03UndergraduateAcademicDishonesty.pdf>

[Graduate Student Academic Dishonesty 13.99.99.R0.10](http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/13students/graduate/13.99.99.R0.10GraduateStudentAcademicDishonesty.pdf)

<http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/13students/graduate/13.99.99.R0.10GraduateStudentAcademicDishonesty.pdf>

ADA Statement

Students with Disabilities

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you have a disability requiring an accommodation, please contact:

Office of Student Disability Resources and Services

Texas A&M University-Commerce
Gee Library- Room 162

Phone (903) 886-5150 or (903) 886-5835

Fax (903) 468-8148

Email: studentdisabilityservices@tamuc.edu

Website: [Office of Student Disability Resources and Services](#)

<http://www.tamuc.edu/campusLife/campusServices/studentDisabilityResourcesAndServices/>

Nondiscrimination Notice

Texas A&M University-Commerce will comply in the classroom, and in online courses, with all federal and state laws prohibiting discrimination and related retaliation on the basis of race, color, religion, sex, national origin, disability, age, genetic information or veteran status. Further, an environment free from discrimination on the basis of sexual orientation, gender identity, or gender expression will be maintained.

Campus Concealed Carry Statement

Texas Senate Bill - 11 (Government Code 411.2031, et al.) authorizes the carrying of a concealed handgun in Texas A&M University-Commerce buildings only by persons who have been issued and are in possession of a Texas License to Carry a Handgun.

Qualified law enforcement officers or those who are otherwise authorized to carry a concealed handgun in the State of Texas are also permitted to do so. Pursuant to Penal Code (PC) 46.035 and A&M-Commerce Rule 34.06.02.R1, license holders may not carry a concealed handgun in restricted locations.

For a list of locations, please refer to the [Carrying Concealed Handguns On Campus](#) document and/or consult your event organizer.

Web url: <http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/34SafetyOfEmployeesAndStudents/34.06.02.R1.pdf>

Pursuant to PC 46.035, the open carrying of handguns is prohibited on all A&M-Commerce campuses. Report violations to the University Police Department at 903-886-5868 or 9-1-1.

Other Class Policies

1. **E-mail.** Students are required to check their email throughout the course. If you use a non-university e-mail address as your primary e-mail address, arrange for your university e-mail to be forwarded to your non-university account. You are responsible for all email sent to your university account pertaining to this class.
2. **Responsibilities.** Each student is responsible for keeping up with the class schedule, checking email, and checking the course web site on a weekly basis.
3. **Incompletes.** There are no incompletes for this course, except in the case of extraordinary circumstances (e.g., excessive absences due to severe illness).
4. **Failure to complete a quiz or exam or project.** If a student misses a quiz or exam deadline due to an extended illness and a written and a verifiable excuse is provided within two weeks of the missed quiz/exam deadline, then I may offer an alternative quiz/exam. The physician's note must indicate that the student is too ill to take the scheduled quiz or exam during the entire quiz or exam period. The written excuse must also provide the physician's phone number and address, and a copy must be included in the instructor's files.
5. **Late completion of an assignment.** Late assignments will not be graded and will only be accepted (graded) under certain circumstances such as those mentioned in points 3 and 4 above.

“WHAT IF ...” THE H1N1 (SWINE FLUE) OR SIMILAR SCENARIO

We have witnessed serious flu like situations in the past. This type of situation would pose a serious problem for our entire community, especially if the flu is the H1N1 variety, better known as swine flu. Several points need to be stressed:

1. *If **you** get the flu, **stay home!** Do **not** come to class and infect others.*
2. *If **I** get the flu, I will stay home. You will be notified by email and other arrangements will be made for presenting / covering the material.*
3. *If there is an flu outbreak that affects a significant portion of the campus, this class will more than likely be offered in an **on-line** synchronous manner, with me lecturing and showing power points and other material from a classroom or from my home or office via a **video** link. I will also attempt to have these presentations captured and put on line at the D2L site for later viewings.*
4. *If there is a significant flu outbreak, attendance and participation will be removed from the grading rubric, and the total number of points available will be reduced to 91.*
5. *Other changes to the grading policy may be necessitated, depending upon what happens within the RU community. Any other changes will be communicated to you as soon as is practical under the circumstances. Every effort will be made to ensure than any such changes are handled in a manner that provides an equitable handling of the situation.*

Emergency Statement

In the event of a University-wide emergency, course requirements, classes, deadlines and grading policies and procedures are subject to change. Potential changes that could occur include alternative delivery methods, alternative methods of interaction with the instructor, accessing class materials and/or classmates, a revised attendance policy, and a revised semester calendar and/or grading schedule. In the case of a University-wide emergency, please refer to the following about changes in this course:

For specific information about an emergency situation, please refer to
Web Site: <https://www.tamuc.edu/>

Re-Grading

In line with Grading Guidelines for the University, the process of assigning of grades is intended be one of unbiased evaluation. This means that students are encouraged to respect the integrity and authority of the professor's grading system and discouraged from pursuing arbitrary challenges to it.

If a student feels that an inadvertent error has been made in the grading of an individual assignment or in assessing an overall course grade, a request to have that the grade be re-evaluated may be submitted. Students should submit such requests in writing to the professor within 7 days of receiving the grade, including a brief written statement of why he or she believes that an error in grading has been made.

Academic Integrity

Integrity is critical to the learning process and to all that we do here at the University. As members of our community, all students agree to abide by the University Student Code of Conduct, which includes a commitment to:

- Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.
- Clearly acknowledge the work and efforts of others when submitting written work as one's own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.
- Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the University community.

Honor Code

You are responsible for maintaining the University honor code, which mandates zero tolerance for cheating.

Disclaimer: I reserve the right to alter the contents, requirements and/or scheduling of this course.