

**FIN 7180 (A01) (3.0 CH)**  
**BEHAVIORAL FINANCE**  
**SUMMER 2021**

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**INSTRUCTOR**

Name: Chi Liao, PhD	Office Location: 458 Drake Centre
Phone: (204) 474-9486	Office Hours: After class or by appointment
Email: chi.liao@umanitoba.ca	Class Room: Zoom (link will be available on UM Learn)
	Class Time: July 27, 2021 – Aug 26, 2021 T/Th, 6:15 - 9:30pm and Saturday, Aug 14, 9:15am – 12:45pm

**COURSE DESCRIPTION**

Traditional finance assumes that financial market participants are fully rational, however, recent evidence contradicts this view. We will examine, in depth, how various psychological biases may impact financial decisions and the extent to which these tendencies lead to sub-optimal market outcomes relative to what rational models would predict.

**COURSE OBJECTIVES**

We will focus on a critical analysis of the implications of psychology on financial markets, investor behavior, and corporate managerial decision making, as well as how behavioral insights complement the traditional finance paradigm. Students will develop a practical understanding of the ways humans make financial decisions, with specific attention to the way emotions, biological characteristics, and psychological traits influence financial decisions. Students will gain a deeper understanding of state-of-the-art developments in behavioral finance and how they apply to practical settings.

**COURSE MATERIALS**

1. **A laptop or desktop computer with camera, microphone, and strong internet connection.**
2. **Textbook:** Behavioral Finance: Psychology, Decision-Making, and Markets, by L. Ackert & R. Deaves, 2010, Cengage Learning, ISBN 0-324-66117-7
  - I use this textbook (despite it being somewhat outdated given rapid developments in behavioral finance) because it contains all relevant behavioral finance concepts in one textbook instead of two. I recommend you rent the textbook instead of purchasing it (e.g., at <https://www.vitalsource.com/en-ca/> though you may find an online PDF rental

or used textbook for cheaper if you google it). I will supplement this textbook with more recent work in behavioral finance.

3. **Course package:** Available from the Bookstore
4. **iClicker: All students must register for iClicker before the first class.** This allows you to participate in in-class preparedness checks using your smartphone, laptop, or desktop. Please see UM Learn for registration instructions. There is no charge for U of M students.

Assigned readings should be read prior to the class session for which they are assigned. In-class discussions, exercises, and additional lecture materials will be used to situate the readings within the broader context of behavioral finance. Lecture notes and additional readings will be available on UM Learn.

### AACSB Assurance of Learning Goals and Objectives – Masters of Finance

The Asper School of Business is proudly accredited by AACSB. Accreditation requires a process of continuous improvement for the School and our students. Part of “student improvement” is ensuring that students graduate with the knowledge and skills they need to succeed in their careers. To do so, the Asper School has set the **learning goals and objectives** listed below for the **MFIN Program**. The checked goal(s) and objective(s) will be addressed in this course and done so by means of the items listed next to the checkmark.

	<b>Goals and Objectives in the MFIN Program</b>	<b>Goals and Objectives Addressed in this Course</b>	<b>Course Item(s) Relevant to these Goals and Objectives</b>
1	<b>Proficiency in Asset Valuation:</b> Knowledge and understanding of the principles, theories, and applications of asset valuation.	✓	Entire course
	A. Demonstrate knowledge and ability to apply asset valuation models.		
	B. Demonstrate knowledge and ability to apply asset pricing models.		
2	<b>Proficiency in Portfolio Construction and Management:</b> Knowledge and understanding of the principles, theories, and applications of portfolio construction and management.		
	A. Demonstrate knowledge of theories and applications of asset allocation.	✓	Entire course
	B. Demonstrate an understanding of the theories and approaches of risk management and its applications.		
	C. Demonstrate an understanding of financial markets, instruments, asset classes, and trading environment.	✓	Entire course
	D. Demonstrate an ability to apply behavioural finance models in portfolio construction and management.	✓	Entire course
3	<b>Ethical Mindset:</b> Consideration of ethical issues in financial analysis and management.		
	A. Demonstrate an understanding of the role of ethics in financial decision-making.	✓	Group project
	B. Demonstrate a knowledge of the CFA Institute’s <i>Code of Ethics</i> and the <i>Standards of Professional Conduct</i> .		

4	<b>Communication Ability:</b> Ability to communicate effectively and clearly, both verbally and in writing, in a professional context.		
	A. Communicate in a clear and concise manner.	✓	Entire course
	B. Communicate in a coherent and logical manner.	✓	Entire course

## COURSE ASSESSMENT

Student progress will be assessed through:

Class contribution and participation:	20%
iClicker preparedness checks:	10%
Behavioral finance analysis paper:	15%
Current events presentation:	10%
Project proposal (Aug. 14):	5%
Project pitch (Aug. 14):	5%
Project presentation (Aug 26, and Aug 24 if necessary):	10%
Project presentation Powerpoint slides	10%
Project report (due Aug 27):	15%

Final grades will be assigned as follows

Cumulative Marks	Grade	GPA	Performance
90-100	A+	4.5	Excellent
85-89	A	4.0	Very Good
75-84	B+	3.5	Good
70-74	B	3.0	Satisfactory
65-69	C+	2.5	Marginal
60-64	C	2.0	Unsatisfactory
50-59	D	1.0	Unsatisfactory
Below 50	F	0.0	Unsatisfactory

### NOTE:

- To ensure comparability across courses, the anticipated class average generally corresponds to a GPA of 3.5 (B+), though the details are at the discretion of the Associate Dean of Professional Programs and/or the Graduate Programs Office. In the event of a skewed distribution of grades, the total course marks may be curved up or down as necessary (the weighting of each component will remain unchanged).
- Class attendance is required. Missing more than 20% of this course due to absences may result in a failing grade. It is your responsibility to inform your professor in advance of your absence and the reason for it (medical documentation or employer note if away for a work commitment) is required. The professor decides how to deal with the impact of missed classes on your final grade.

## Class contribution and participation (20%)

Because this course relies heavily on application and discussions of materials, a portion of your grade will be determined by your contribution to these discussions. This form of active learning means that you take responsibility both for your learning and helping others to learn more about the material. This course is about building skills to enable you to be a better employee, team member, manager, and leader. Active learning in the course is your way to demonstrate the attitudes, behaviors, and leadership that are required of these roles. This will include an overall assessment of your contributions in a number of categories:

- Attendance and involvement: Attending every class with the camera on (with exceptions for serious emergencies), arriving on time, and remaining fully engaged throughout the class.
- Preparation: Showing evidence of having carefully completed and prepared for each class by making contributions that show a clear and informed understanding of the materials.
- Participation in full-class discussions: Offering informed, constructive, original contributions that build on what classmates have already said to move the discussion forward, offer original insights, share useful examples, experiences, or current events, and integrate ideas from the readings into the discussion.
  - o Effective contributions: Great contributors in the classroom (just like in the workplace) don't simply take up airtime. They listen intently to others and their contributions respond to and build on the ideas others offer. Their reflections show a deep understanding of the ideas and situations being discussed.
  - o Cold-calling/hot seat: I will call on students to participate in several ways – asking them for case details, asking their opinion, asking them to apply ideas from the readings, etc. For basic matters (like definitions from the readings or details from a case), you are expected to answer. If I ask for opinions, analysis, etc., you can ask me to come back to you later in the discussion (without it counting against you). It's okay to need to think a little more before jumping in (but it's not okay to simply opt out of the discussion entirely.)
  - o Direct student-student interaction is encouraged. Such interaction should be both positive and courteous even when opinions differ.
- Alternative (online) ways to participate: An online class format allows additional forums for participation. The quality of participation will be graded the same way as outlined above for full-class discussions.
  - o Before or after class using the Discussion forum on UM Learn. For each class or topic, please keep all posts under one thread so that all students can easily read all comments pertaining to one subject. Please do not summarize readings/class material here.
  - o In class using the chatroom feature (I will have a TA monitoring the quality of discussion in the chat).
  - o Please note: The plagiarism and academic integrity guidelines at the end of this course outline apply to participation in these formats as well.

You may ask me for feedback on your participation at any point in the term. I am also happy to discuss strategies to improve your participation.

### **iClicker preparedness checks (10%)**

At the very beginning of each class, I will use iClicker to ask you questions pertaining to your readings or to recall and apply material from earlier weeks. These will tend to be simple true/false or multiple-choice questions, though some may be tougher and ask about more nuanced details. **These checks will begin starting the first class.**

Please see instructions on UM Learn for download and registration instructions.

This component of your grade will be equally divided among the classes for which we use iClicker. Note that if you are absent or late to class and miss the preparedness check, you will forgo this portion of your grade for that particular class. It is your responsibility to sign in to iClicker early enough to ensure that it is working properly. Any issues must be addressed via email to me within 2 days; no consideration for adjustments will be provided after that.

### **Behavioral finance analysis paper (15%)**

You will submit one behavioral finance analysis paper (related to finance) at any point in the term (on or before the last class).

The analysis paper is intended to develop your ability to apply the concepts we learn in class to real-world events and/or issues. Your analysis paper, for example, can be an application of the concepts learned in class to a real world issue, an industry problem, an issue you have come across at work, research article(s), current event(s), or newspaper articles. Your analysis may also be a critique of a reading/article or an expansion of the ideas in a reading/article. I am always happy to discuss your ideas, so please let me know if you are unsure about a topic or idea.

In your analysis, be sure to identify and describe the underlying behavioral concepts at play as well as your recommendations for how to mitigate, resolve, and/or improve the issues/circumstances you are analyzing. Discussions should be supported by information and evidence, concepts learned in class, and well-articulated reasoning. If recommendations are provided, consider discussing how the quality and success of your recommendations will be determined. How could they be evaluated in practice? What are the barriers to their adoption?

The paper should contain **a critical analysis based on the application of concepts covered in the course and your own thoughts and opinions backed up by evidence (cite your references), logic, and reasoning**, as opposed to a mere summary. A mere summary of a reading, existing articles, etc. will result in a **failing grade**. The grading will assess whether you have anything new to say that is both grounded in your own ideas and thought processes, as well as correctly applies behavioral concepts. Note that if an analysis is submitted on a topic already covered in class, a deeper and more insightful analysis taking into account all relevant class discussions will be expected.

Another goal of this assignment is to develop your ability to provide a clear exposition of your ideas in writing as well as exercise and improve your professional writing skills. Your opinions and ideas are only as good as your ability to communicate them. Please ensure your ideas are not masked by poor writing. I suggest using the writing tutors available from the U of M Academic Learning Centre:

[http://umanitoba.ca/student/academiclearning/writing\\_tutor/writing\\_tutor.html](http://umanitoba.ca/student/academiclearning/writing_tutor/writing_tutor.html).

Your analysis should be a maximum of **4 double-spaced pages** (Times New Roman size 12) with an additional page for references (APA) and figures, if applicable. Each analysis will be evaluated according to the following criteria:

- The thorough and insightful identification, understanding, and application of relevant behavioral concepts, as well as suitable recommendations/conclusions that are supported by and consistent with the analysis as well as practically relevant and implementable in the real world (50%)
- Logical reasoning and development of thoughts and ideas including the presentation of logical, consistent, cohesive, and relevant arguments throughout the analysis. (30%)
- Quality of writing (e.g. clear, concise, logical, and direct writing style, free from grammatical and spelling errors) and adherence to the prescribed format and page limit (20%)

You may submit the paper at any point in the term, however, the paper **must be submitted by the last class on August 26**.

### **Current Events Discussion Lead (10%)**

You will **lead a discussion** in groups of two based on a **newspaper article about a current event**, related to finance. The goal is to engage with your classmates on current events through a behavioral finance lens. You are responsible for finding a current event article (from the last couple of years), providing a brief (~1 minute) summary of the article, preparing a set of 2 to 3 discussion questions for the class, and a debrief with your concluding statements. Your discussion should take five to ten minutes. **Your current event topic should not be the same as your analysis topics.** Newspaper and magazine articles (e.g., The Wall Street Journal, The New York Times, The Globe and Mail, etc.) are available online via U of M Libraries: <http://umanitoba.ca/libraries/>.

You will be graded on the following criteria:

- The application of behavioral concepts learned in the class (or from other reliable sources) in your discussion questions and throughout your discussion (50%)
- The quality and insightfulness of the discussion questions that you identify and their ability to generate thoughtful and relevant discussion (25%)
- Your ability to lead the class discussion and engage the audience (25%)

Presentations will take place starting **August 10**. Each current event/topic should only be presented once. Instructions to sign-up for presentation dates and topics will be given in the first class and on UM Learn.

### **Group project (45% total)**

The project will be done in groups and is intended to give students an opportunity to explore the practical applications of behavioral finance concepts as well as gain consulting experience. This term, groups will consult for the Digital Strategy group at Canada Life. Further details will be provided in class and on UM Learn.

As in the workplace, it is essential to learn how to function effectively within teams and contribute to group goals. It is your responsibility to ensure you are adequately and consistently meeting your

obligations and responsibilities to the team. It is also your responsibility to inform fellow team members if they are not meeting their obligations. To ensure this is the case, peer evaluations will occur anonymously and confidentially at term-end after the project has been submitted. The grade on the final project presentation and report will be adjusted for each group member based on this end-of-term confidential peer assessment.

The project pitch presentations will take place on **August 14**. The project proposal will be due on the same day. The final project presentations will take place on **August 26 (and August 24 if necessary)**. The final project report is due on **August 27**. Please note that you will receive a grade of zero for missed group presentations.

Please see UM Learn for a document outlining further details about the project.

## **OTHER POLICIES, RULES, AND GUIDELINES**

### **Course Schedule**

Please see UM Learn for a table outlining topics and associated readings to be covered in this course. Readings and topics may be modified as needed. You will be informed about changes ahead of time.

### **Professionalism**

I expect professional behavior as required in any workplace. Given the online class format, this includes having your camera on during class. This professionalism requirement extends to emails and interactions inside and outside of class with myself and other students. Harassment of other students will not be tolerated. If you experience harassment in class, please let me know immediately so that it can be addressed.

### **Late submissions**

In fairness to all students, you are expected to submit deliverables by the deadlines indicated. Unexcused late submissions will lose 20% per day. Three days past the due date, your submission will no longer be accepted and will receive a grade of 0. (This will not apply to group presentations.) You will receive a grade of 0 for missed group presentations. This policy ensures that people who make sacrifices to complete their work on time are not penalized.

### **Email Policy**

If you contact me via email, I typically respond within 1-2 business days. I will try to respond to your questions by e-mail whenever possible – when impractical to do so, I will arrange a time to meet with you via Zoom.

### **Group Work**

All students are expected to treat group work as though they would in a business setting, ensuring professional behavior at all times. Professional behavior in group settings includes (but is not limited to) the following:

- Ensuring all group members voice their opinions, thoughts, and concerns;
- Taking personal responsibility to voice thoughts to benefit the group's learning;
- Contributing to the learning of the group by giving equal time and work quality as others in the group; and
- Committing to a standard of work agreed upon by the group; and

## Writing

Clear and concise communication is important for all written assignments. Your ideas are only as good as you are able to communicate them. Please ensure that your ideas are not masked by poor writing. Poor writing will be penalized, particularly if it impedes understanding of the concepts you are attempting to communicate.

Helpful resources for writing and citing can be found here:

<http://libguides.lib.umanitoba.ca/mgmtlibrary/writing-citing>.

In addition, the U of M offers **free** writing tutors who will work with you one-on-one to improve a written assignment (and your writing skills in general). There are writing tutor appointments available in the Cohen and Dafoe Libraries and you can sign up for up to one appointment a week. You can find more information here: [http://umanitoba.ca/student/academiclearning/writing\\_tutor/writing\\_tutor.html](http://umanitoba.ca/student/academiclearning/writing_tutor/writing_tutor.html) and register for appointments here: <https://manitoba.mywconline.com/>.

## ACADEMIC REGULATIONS AND STUDENT SERVICES

### HUMAN ETHICS APPROVAL FOR DATA COLLECTION

As part of coursework, if you will be collecting data from people who are not students in this class, you must obtain Human Ethics approval from the UofM's Research Ethics Board (REB) prior to data collection. This applies to data collection such as surveys, interviews, focus groups, experiments, video recording, etc., where a respondent is solicited for participation.

If the entire class will be working on the same project, your instructor will apply for human ethics approval from the REB. If individuals or small groups of students will be working on different projects, it is the responsibility of the students to obtain approval (only one group member needs to apply). Your instructor will tell you whether s/he will be or you need to. When in doubt, please talk to your instructor.

Instructions and forms to apply for human ethics approval can be found at:

<http://umanitoba.ca/research/orec/ethics/guidelines.html>

In most cases, you will be using the "Protocol Submission Form" which is under the "REB Forms - Fort Garry Campus" heading.

It can take up to six weeks to process human ethics applications and obtain approval. Therefore, plan early. Note that approval must be obtained prior to data collection and cannot be obtained during the data collection phase or retroactively. Violation can get you, your instructor, and the Asper School in serious trouble with the REB.

If you will be collecting data only from other students in the class, you do not need REB approval. If you have any questions, please contact [humanethics@umanitoba.ca](mailto:humanethics@umanitoba.ca) or your instructor.

### UNCLAIMED ASSIGNMENT POLICY

Pursuant to the FIPPA Review Committee's approved recommendations of August 15, 2007, all unclaimed student assignments will become the property of the faculty and will be subject to destruction six months after the completion of any given academic term.

## STUDENT SERVICES AND SUPPORTS

The University of Manitoba provides many different services that can enhance learning and provide support for a variety of academic and personal concerns. You are encouraged to visit the below websites to learn more about these services and supports. If you have any questions or concerns, please do not hesitate to contact your instructor or the Graduate Program Office.

For Information on...	...follow this link
Course Outlines, Year-at-a-Glance, Concentrations, Textbooks, VW Dates and Final Exams	<a href="#">MBA Course Information</a>
Exam Rescheduling Policy - <i>Please refer to Missing a Test/Exam on page 14 of the MBA Student Handbook</i>	<a href="#">MBA Student Handbook</a>
Help with research needs such as books, journals, sources of data, how to cite, and writing	<a href="#">Library Resources</a>
Tutors, workshops, and resources to help you improve your learning, writing, time management, and test-taking skills	<a href="#">Writing and Learning Support</a>
Support and advocacy for students with disabilities to help them in their academic work and progress	<a href="#">Student Accessibility Services</a>
Copyright-related questions and resources to help you avoid plagiarism or intellectual property violations	<a href="#">Copyright Office</a>
Student discipline bylaws, policies and procedures on academic integrity and misconduct, appeal procedures	<a href="#">Academic Integrity</a>
Policies & procedures with respect to student discipline or misconduct, including academic integrity violations	<a href="#">Student Discipline</a>
Students' rights & responsibilities, policies & procedures, and support services for academic or discipline concerns	<a href="#">Student Advocacy</a>
Your rights and responsibilities as a student, in both academic and non-academic contexts	<a href="#">Your rights and responsibilities</a>
Full range of medical services for any physical or mental health issues	<a href="#">University Health Service</a>
Information on health topics, including physical/mental health, alcohol/substance use harms, and sexual assault	<a href="#">Health and Wellness</a>
Any aspect of mental health, including anxiety, stress, depression, help with relationships or other life concerns, crisis services, and counselling.	<a href="#">Student Counselling Centre</a>
Support services available for help regarding any aspect of student and campus life, especially safety issues	<a href="#">Student Support Case Management</a>
Resources available on campus, for environmental, mental, physical, socio-cultural, and spiritual well-being	<a href="#">Live Well @ UofM</a>
Help with any concerns of harassment, discrimination, or sexual assault	<a href="#">Respectful Work and Learning Environment</a>
Concerns involving violence or threats, protocols for reporting, and how the university addresses them	<a href="#">Violent or Threatening Behaviour</a>

## ACADEMIC INTEGRITY

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I.H. Asper School of Business, The University of Manitoba

It is critical to the reputation of the I. H. Asper School of Business and of our degrees that everyone associated with our faculty behaves with the highest academic integrity. As the faculty that helps create business and government leaders, we have a special obligation to ensure that our ethical standards are beyond reproach. Any dishonesty in our academic transactions violates this trust. The University of Manitoba Graduate Calendar addresses the issue of academic dishonesty under the heading "Plagiarism and Cheating." Specifically, acts of academic dishonesty include, but are not limited to:

- using the exact words of a published or unpublished author without quotation marks and without referencing the source of these words
- duplicating a table, graph or diagram, in whole or in part, without referencing the source
- paraphrasing the conceptual framework, research design, interpretation, or any other ideas of another person, whether written or verbal (e.g., personal communications, ideas from a verbal presentation) without referencing the source
- copying the answers of another student in any test, examination, or take-home assignment
- providing answers to another student in any test, examination, or take-home assignment
- taking any unauthorized materials into an examination or term test (crib notes)
- impersonating another student or allowing another person to impersonate oneself for the purpose of submitting academic work or writing any test or examination
- stealing or mutilating library materials
- accessing tests prior to the time and date of the sitting
- changing name or answer(s) on a test after that test has been graded and returned
- submitting the same paper or portions thereof for more than one assignment, without discussions with the instructors involved.

Many courses in the I. H. Asper School of Business require group projects. Students should be aware that group projects are subject to the same rules regarding academic dishonesty. Because of the unique nature of group projects, all group members must exercise extraordinary care to insure that the group project does not violate the policy on Academic Integrity. Should a violation occur on a group project, all group members will be held jointly accountable, no matter what their individual level of involvement in the specific violation.

Some courses, while not requiring group projects, encourage students to work together in groups (or at least do not prohibit it) before submitting individual assignments. Students are encouraged to discuss this issue as it relates to academic integrity with their instructor to avoid violating this policy.

In the I. H. Asper School of Business, all suspected cases of academic dishonesty involving a graduate student (i.e. MBA, MSc or PhD student) will be reported directly by the instructor to the Dean of the Faculty of Graduate Studies.

## FACULTY BIOGRAPHY

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I.H. Asper School of Business, The University of Manitob

### Chi Liao

Accounting and Finance

I.H. Asper School of Business

Chi Liao conducts research in finance, with a focus on investment decision-making and behavioral finance. Her current work is aimed at understanding individuals' behaviour and the subsequent implications for investment performance and corporate finance. Of specific interest are ways in which individuals' behaviour may differ from traditional theories or assumptions, particularly when these individuals make decisions that have real impacts on financial outcomes. She has presented work at numerous conferences including the National Bureau of Economic Research Behavioral Economics Working Group and the Northern Finance Association Meetings, and her work has been cited in the Wall Street Journal and CNBC.

Chi has a PhD in Finance from the Rotman School of Management at the University of Toronto. She has an Honors Bachelor's degree in Mathematics (BMath) from the University of Waterloo and an Honors Bachelor's degree in Business Administration (BBA) from Wilfrid Laurier University.