



## GRADUATE SCHOOL

### **GM1044 Behavioural Finance, 7.5 credits**

Beteende-ekonomi, 7,5 högskolepoäng

*Second Cycle*

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#### **Confirmation**

This course syllabus was confirmed by Graduate School on 2021-09-27 to be valid from 2022-01-17, autumn semester of 2021.

*Field of education:* Social Sciences 100%

*Department:* Graduate School

#### **Position in the educational system**

The course Behavioural Finance is a course within the Master of Science programmes at the Graduate School, School of Business, Economics and Law, University of Gothenburg.

#### *Main field of studies*

Finance

#### *Specialization*

A1N, Second cycle, has only first-cycle course/s as entry requirements

#### **Entry requirements**

To be eligible for the course Behavioural Finance the participant must fulfil the entrance requirements for the Master of Science programme in Economics or the Master of Science programme in Finance. For programme specific entrance requirements, see programme syllabus.

#### **Learning outcomes**

On successful completion of the course, the student will be able to:

1. show understanding of behavioral drivers of economic and financial decision-making

2. critically reflect on human decision-making and its implications for the decision maker and third parties
3. show understanding of the functioning of markets and the mechanism of price formation.

### **Course content**

This course covers a broad range of issues in behavioral and experimental finance and economics. The course will be made up of two parts: the limits to rationality in human financial decision-making, and the limits of markets to reach rational efficient equilibria. Special emphasis in this course is given to experimental studies. To deepen the knowledge and understanding of both parts, paper and pen and computerized experiments, both online and in the finance lab, are run during the course. In particular, the course consists of the following topics.

The first part concerns limitations to rationality. Psychological biases such as myopia, loss aversion, ambiguity aversion, present biasedness, etc, can lead to observed phenomena such as the endowment effect, the disposition effect, limited stock market participation or excessive risk taking. In general, the concepts will be experienced by various experimental tasks run during class.

The second part investigates the efficiency of markets in general and drivers of bubble formation in financial markets in particular. Again, market experiments analyzing the value of information and detecting environments which fuel or diminish bubbles on asset markets will run during class.

### **Form of teaching**

Lecture input sessions will provide basic concepts of Behavioral Finance and Economics. Moreover, paper and pen, laboratory, and online experiments provide a novel hands-on approach to deepen the insights from the literature. Finally, short student presentations (mini-essays) accomplish the portfolio of methods.

*Language of instruction:* English

### **Assessment**

The learning outcomes 1-3 will be assessed through:

- a written exam
- individual mini-essays detailing a real-world application of the concepts presented in class. The essays will be presented in the last session of this course.
- a group paper which includes the group's experimental study on financial or economic decision-making.

Participation in seminars is mandatory.

A failed essay and/or group paper can be supplemented to a Pass grade.

Individual essays and exams shall be written individually, cooperation in formulating text, tables, figures etc. is not allowed.

A student who has taken two exams in a course or part of a course without obtaining a pass grade is entitled to the nomination of another examiner. The student needs to contact the department for a new examiner, preferably in writing, and this should be approved by the department unless there are special reasons to the contrary (Chapter 6 Section 22 of the Higher Education Ordinance).

If a student has received a recommendation from the University of Gothenburg for special educational support, where it is compatible with the learning outcomes of the course and provided that no unreasonable resources are required, the examiner may decide to allow the student to sit an adjusted exam or alternative form of assessment.

In the event that a course has ceased or undergone major changes, students are to be guaranteed at least three examination sessions (including the ordinary examination session) over a period of at least one year, but no more than two years, after the course has ceased/been changed.

The number of examinations is limited to five.

### **Grades**

The grading scale comprises: Excellent (A), Very good (B), Good (C), Satisfactory (D), Sufficient (E) and Fail (F).

Pass is required on all examination forms. The grade (A-E) corresponds to the total score a student obtains on the written exam, mini-essays and group paper. To receive a pass grade (A-E)  $\geq 50\%$  points is required. The scale is tied to fixed score intervals:

A: 85-100%

B: 75-84%

C: 68-74%

D: 60-67%

E: 50-59%

F:  $<50\%$

### **Course evaluation**

The course will be evaluated upon completion. The results of and possible changes to the course will be shared with students who participated in the evaluation and students who are starting the course.

