BM_82300 Course Syllabus
Department of Finance
National Dong Hwa University

Course Title:
BM_82300–Research Methods in Finance

Term:
February 2010~ June 2010

Classroom:
A105

Professors:
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Office Hours:
Thursday: 16:00 p.m. – 18:00 p.m.
Others by appointment

Textbook:

None

Supplementary Materials:
Various academic journal articles and working papers. See class schedules.

Course Objectives:
This course focuses on the methodology in finance and the main goal is to equip the students with the *ability to conduct academic research* specifically in the following finance areas: event study, matching theory and applications, asset pricing, corporate governance, executive compensation, behavior finance, mutual funds and hedge funds, IPO and subprime crisis. Tips on assessing the quality of a paper and writing skill will be given in the class. The statistics package *R* and various libraries will be used in the class.

Instruction Methodology:
Lecturing and student presentation.

Mid-term Report and Final Exam:
There will be one mid-term exam and a term-paper due in the last week of the semester. All students are expected to take the mid-term exam and submit the final report. Failing to submit the report or to take the exam without the permission of the instructor will result in a failing grade for the report/exam. Honor code is strictly enforced. Any dishonesty or attempt to cheat will automatically result in a failing grade in the course.

Grading:
Grading will be based on class presentation, midterm exam and final report. The breakdown of the total points is:
Class presentation: 30%; midterm exam: 30%, final report: 40%.

Tentative Class Schedule

Week	**Date**	**Readings and Assignments**
1	02/25	Introduction
2	03/04	Event study I
3	03/11	Event Study II
4	03/18	Matching I

5	03/25	Matching II
6	04/01	Lab
7	04/08	M.C. Jensen and K.J. Murphy, "Performance pay and Top-Management Incentives," *Journal of Political Economy* 98, 1990, 225-264. B. J. Hall and J. B. Liebman, "Are CEOs Really Paid Like Bureaucrats?" 1998, *Quarterly Journal of Economics* 108, 653-691.
8	04/15	Campbell, 2000, "Asset Pricing at the Millenium", *Journal of Finance,* 55, 1515-1567. E.F. Fama, (1998): "Market Efficiency, Long-term Returns, and Behavior Finance," *Journal of Financial Economics* 49, 283-306.
9	04/22	J.R. Graham and C.R. Harvey, "The Theory and Practice of Corporate Finance," *Journal of Financial Economics* 60, 2001, 187-244. K. John, L. Litov, and B. Yeung, "Corporate Governance and Risk Taking," *Journal of Finance* 63, 1679-1728, 2008.
10	04/29	Tufano, P., and M. Sevick, 1997, "Board Structure and Fee-Splitting in the U.S. Mutual Fund Industry," *Journal of Financial Economics* 46, 321-356. Campbell, J.Y., M. Lettau, B.G. Malkiel and Y. Xu, 2001. Have Individual Stocks Become More Volatile? An Empirical Exploration of Idiosyncratic Risk. *Journal of Finance* 56, 1-43.
11	05/06	A.P Ljungqvist and W. J. Wilhelm, "IPO Pricing in the Dot-Com Bubble," *Journal of Finance* 58, 2003, 723-752. F.A. Longstaff, "The Subprime Credit Crisis and Contagion in Financial Markets," UCLA working paper, 2008.
12	05/13	Midterm Exam

13	05/20	<u>Idiosyncratic Volatility</u> Goyal, Amit and Pedro Santa-Clara, 2003, "Idiosyncratic Risk Matters!" *Journal of Finance* 58, 975-1007. Brandt, Michael W., Alon Brav, John R. Graham, and Alok Kumar, 2010, "The Idiosyncratic Volatility Puzzle: Time Trend or Speculative Episodes?" *Review of Financial Studies* 23, 863-899.
14	05/27	<u>Behavioral Models</u> Hirshleifer, David, Avanidhar Subrahmanyam and Sheridan Titman, 2006, "Feedback and the success of irrational investors," *Journal of Financial Economics* 81, 311-338. Grinblatt, Mark, and Bing Han, 2005, "Prospect theory, mental accounting, and momentum," *Journal of Financial Economics* 78, 311-339.
15	06/03	<u>Style Investment</u> Barberis, Nichole and Andrei Shleifer, 2003, "Style investing," *Journal of Financial Economics* 68, 161-199. Barberis, Nichole, Andrei. Shleifer and Jeffrey Wurgler, 2005, "Comovement," *Journal of Financial Economics* 75, 283-317.
16	06/10	<u>Corporate Governance</u> La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert Vishny, 2000, "Investor protection and corporate governance," *Journal of Financial Economics* 58, 3-27. Roberts, Michael R. and Amir Sufi, 2009, "Control Rights and Capital Structure: An Empirical Investigation," *Journal of Finance* 64, 1657-1695.
17	06/17	<u>Financial Institutions</u> Blum, Jürg, 1999, "Do capital adequacy requirements reduce risks in banking?" *Journal of Banking & Finance* 23, 755-771. Barth, James R., Gerard Caprio Jr., and Ross Levine, 2004, "Bank regulation and supervision: what works best?" *Journal if Financial Intermediation* 13, 205-248.
18	06/24	Final Report