THE UNIVERSITY OF HONG KONG
FACULTY OF BUSINESS AND ECONOMICS

School of Economics and Finance

ECON6054B (finance)
Fall 2016

I. INSTRUCTORS

Dr. Tse-Chun Lin
KK928, 2857-8503, tsechunlin@hku.hk, http://www.sef.hku.hk/people/faculty/tclin.html

II. COURSE INFORMATION

Course Descriptions
This Ph.D. course is designed to give you an overview of empirical contributions of modern corporate finance, investments, behavioral finance and prepare you to conduct independent empirical research on finance which could potentially leads to your dissertation.

Prerequisite
Students have to take the Financial Economics (ECON6017) before taking this course.

Required Materials


Course Objectives

1. Build up a clear understanding of empirical finance literature.
2. Develop solid skills in conducting empirical finance research.

Time and Venue
Tuesday, 10 am to 1 pm, KK910

Course Intended Learning Outcomes (ILOs)
Upon the successful completion of this course, students should be able to

ILO1. Understand the basic tools and models in conducting the empirical finance research.
ILO2. Evaluate managerial decisions in capital structure and equity offerings.
ILO3. Understand event-study and long-term performance methodology.
ILO4. Recognize the endogeneity in empirical finance research.
ILO5. Develop skills in identifying research questions and analyzing these questions.
ILO6. Develop presentation skills and abilities to take questions.

Alignments of University Learning Aims and Faculty Overall Goals

<table>
<thead>
<tr>
<th>Faulty Goals</th>
<th>Course ILOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Acquisition and internalization of knowledge of the programme discipline.</td>
<td>ILO1, ILO2, ILO3, ILO4, ILO5</td>
</tr>
<tr>
<td>2. Application and integration of knowledge.</td>
<td>ILO1, ILO2, ILO3, ILO4, ILO5</td>
</tr>
<tr>
<td>3. Inculcating professionalism and leadership.</td>
<td>ILO2, ILO5, ILO6</td>
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<tr>
<td>4. Developing global outlook.</td>
<td>ILO5</td>
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<td>5. Mastering communication skills.</td>
<td>ILO6</td>
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Teaching and Learning Activities (TLAs)

<table>
<thead>
<tr>
<th>TLA1. Presentation:</th>
<th>Students will give presentations and lecture will comment on them.</th>
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<tbody>
<tr>
<td>TLA2. Homework:</td>
<td>Students will be asked to solve problems in the assignments.</td>
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<tr>
<td>TLA3. Consultation:</td>
<td>Instructors will hold weekly office hours to address students’ questions. Students can also discuss questions with the instructor by emails.</td>
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<tr>
<td>TLA4. Class participation:</td>
<td>Students are encouraged to raise questions in class and actively participate in the class discussion.</td>
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Assessment

The weights of the various components in determining the final grade will be:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>A1. Class participation</td>
<td>20%</td>
</tr>
<tr>
<td>A2. Assignments and Class Presentation</td>
<td>80%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
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</tbody>
</table>

Class Participation

The active class participation is anticipated for each student. Students should take an active role to learn course materials. Responding to questions, asking questions, providing answers to other students’ concerns, and clarifying the questions asked by instructor are all encouraged and expected. The frequency of contribution will be counted to evaluate the class participation. However, the core will be emphasized on the quality ideas, solid analysis, and reconciliation of literature.

Assignments and Class Presentation

There will be a few assignments in this course. Students should turn in assignments on time. Late assignments are not allowed. Whoever cheating in assignments (e.g., copy other students or let other students copy) will get zero point. Students are also going to present academic papers assigned to them.

Relationship among ILOs, TLAs and Assessment

<table>
<thead>
<tr>
<th>ILO</th>
<th>Teaching and Learning Activities (TLAs)</th>
<th>Assessment (A)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
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<tr>
<td>1</td>
<td>✓</td>
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<tr>
<td>2</td>
<td>✓</td>
<td>✓</td>
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<td>3</td>
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<td>4</td>
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<td>5</td>
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<td>✓</td>
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<tr>
<td>6</td>
<td>✓</td>
<td>✓</td>
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III. ACADEMIC AND CLASS CONDUCT

The University Regulations on academic dishonesty will be strictly enforced. Please check the University Statement on plagiarism on the web: http://www.hku.hk/plagiarism/

Academic dishonesty is behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following types of cases:

- **Plagiarism** – The representation of someone else’s ideas as if they are one’s own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one’s own work. Paraphrasing of someone else’s ideas is still using someone else’s ideas, and must be acknowledged.

- **Unauthorized Collaboration on Out-of-Class Projects** – The representation of work as solely one’s own when in fact it is the result of a joint effort.

- **Cheating on Exams** – The covert gathering of information from other students, the use of unauthorized notes, unauthorized aids, etc.

- **Unauthorized Advance Access to an Exam** – The representation of materials prepared at leisure, as a result of unauthorized advance access (however obtained), as if it were prepared under the rigors of the exam setting. This misrepresentation is dishonest in itself even if there are not compounding factors, such as unauthorized uses of books or notes.

Where a candidate for a degree or other award uses the work of another person or persons without due acknowledgement:

1. The relevant Board of Examiners may impose a penalty in relation to the seriousness of the offence;
2. The relevant Board of Examiners may report the candidate to the Senate, where there is prima facie evidence of an intention to deceive and where sanctions beyond those in (1) might be invoked.

*If you are caught in an act of academic dishonesty or misconduct, you will receive an ‘F’ grade for the subject. If your term project submitted has been discovered to be an exact copy of someone else’s work, all students involved will be subject to the penalty for the act of plagiarizing or copying.*
IV. COURSE SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>Sep 6</td>
<td>Natural Experiment</td>
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<tr>
<td>2</td>
<td>Sep 13</td>
<td>Regression Discontinuity</td>
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<tr>
<td>3</td>
<td>Sep 27</td>
<td>Duration Model</td>
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<tr>
<td>4</td>
<td>Oct 4</td>
<td>Testing of Asset Pricing Anomalies and Limit to Arbitrage</td>
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<tr>
<td>5</td>
<td>Oct 11</td>
<td>Corporate Culture</td>
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<td>6</td>
<td>Oct 18</td>
<td>Round Number Offer Prices and EPS Forecasts</td>
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<tr>
<td>7</td>
<td>Nov 1</td>
<td>Strategic Timing of Corporate News Disclosure</td>
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<td>8</td>
<td>Nov 8</td>
<td>CEO Attributes</td>
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<tr>
<td>9</td>
<td>Nov 15</td>
<td>Investment as Lotteries</td>
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<tr>
<td>10</td>
<td>Nov 22</td>
<td>Social Media and Textual Analysis</td>
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<tr>
<td>11</td>
<td>Nov 29</td>
<td>Arbitrage, Sentiment, and Asset Pricing Anomalies</td>
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<tr>
<td>12</td>
<td>Dec 06</td>
<td>Investor Attention and Stock Return (Co)Movements</td>
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The above course schedule is extremely tentative, and subject to change. Any variations will be announced in the class and posted on the course web.

The complete reading list will be distributed in class and posted on the web by individual instructors.
V. TEMPORARY READING LIST

Methodology

1. Natural Experiment Presenter:

2. Regression Discontinuity Presenter:

3. Duration Model Presenter:

4. Testing of Asset Pricing Anomalies and Limit to Arbitrage Presenter:
   - “Short Selling Risk”
   - “The Shorting Premium and Asset Pricing Anomalies”

Behavioral Corporate Finance

5. Corporate Culture Presenter:
   - “Fifty Shades of Corporate Culture”

6. Round Number Offer Prices and EPS Forecasts Presenter:
   - “Initial Offer Precision and M&A Outcomes”
7. Strategic Timing of Corporate News Disclosure Presenter:

  

8. CEO Attributes Presenter:

- “Does CEO Fitness Matter?”
  
  

Behavioral Asset Pricing

9. Investment as Lotteries, New Results Presenter:


10. Social Media and Textual Analysis Presenter:

  
  http://rfs.oxfordjournals.org/content/27/5/1367.short
- “Can Twitter Help Predict Firm-Level Earnings and Stock Returns?”
  

11. Arbitrage, Sentiment, and Asset Pricing Anomalies Presenter:

  
  

12. Investor Attention and Stock Return (Co)Movements Presenter:

- “Attention Allocation and Return Co-Movement: Evidence from Repeated Natural Experiments”
  
  SSRN link to be added.