FIN4111: RESEARCH METHODS IN FINANCE

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Session: Semester 1, 2010/2011

Aims and Objectives

This is a very intensive and demanding research methodology course for BBA (Honours) students majoring in Finance. The purpose of the course is to introduce students to empirical methods of research in Finance. Topics covered include simple and multiple regression analysis, time series models, panel data estimation, IV and 2SLS, simultaneous equation models, VARs, and Cointegration. The course intensively examines applications of these methods to various research areas in financial industry and academic, namely, the properties of financial data series, the basic building blocks of finance theory, asset pricing, corporate finance and some of the latest research interests.

The objectives of this module are to:

- Understand the statistical and econometrical methodology employed in empirical finance research
- Be able to use the techniques taught in the course using actual financial data
- Be able to interpret the results found from the analysis and draw meaningful implications
- Be familiar with various financial databases and information resources to find the data needed
- Be able to creatively design and perform econometrical methodology analysis to solve real problems faced by finance profession
- Be able to perform basic data analysis by using SAS programs

Prerequisites

ST1131A Introduction to Statistics (or equivalent)  
FNA3101 Corporate Finance  
FNA3102 Investment Analysis
**Course Resources and Requirements**

The references noted below have been placed in the RBR section in HSSML:

**Course textbook**


**Further Readings**


**Course Website**

All course materials and information pertaining to FIN4111 will be posted on the IVLE. You are expected to check the website for regular updates and uploads of new files.

**Consultation Hours**

To be decided

**Assessment Methods**

(i) **Class participation (10%)**

Credits will be given for active participation during classes and group presentations. Students are also expected to present the assigned take-home exercises during the class.
(ii) Quiz (20%)

There will be ONE in-class quiz in Week 7 after the recess week.

(iv) Test (40%)

2-hour in-class closed-book test will be held in week 11 in class.

(iv) Group project and presentation (30%)

Students are required to form groups. Each group can write a critical review of an academic paper (which will be given). Non-presenting students gain credit for active participation in discussion during each presentation. Each group must submit soft copies of the report and the PowerPoint slides by 29 October 2010 (Friday) midnight. The report should be single-spaced and less than 10 pages (excluding appendices and the SAS codes). Each group will present their project in week 12 and 13 for 25-30 minutes. The total number of slides can not exceed 40.

Critique of Academic Papers
The critical review of the paper will cover the following items but not limited to them: 1) the motivation and theoretical background of the paper; 2) the recent development in the literature; 3) the methodology used; 4) contributions of the findings; 5) a clear interpretation and analysis of the results; and (6) the replicated study (tables or some results).

Tentative Course Schedule (subject to changes):

| Week 1 | Introductions  
|        | Revisions of Basic Statistical Concepts |
| Week 2 | Simple Regression Analysis (Wooldridge Chapter 2) |
| Week 3 | Multiple Regression Analysis I (Wooldridge Chapter 3)  
|        | Lab session 1 on SAS program |
| Week 4 | Multiple Regression Analysis II (Wooldridge Chapter 4)  
|        | Lab session 2 on SAS program |
| Week 5 | Multiple Regression Analysis III (Wooldridge Chapter 5, 6)  
|        | Lab session 3 on SAS program |
| Week 6 | Multiple Regression Analysis IV (Wooldridge Chapter 7, 8)  
|        | Lab session 4 on SAS program |
| Week 7 | Quiz  
|        | Time Series Analysis I (Wooldridge 10) |
| Week 8 | Time Series Analysis II (Wooldridge 11)  
<p>|        | Lab session 5 on SAS program |
| Week 9 | Time Series Analysis III (Wooldridge 12) |</p>
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