



ME2091 Behavioral Finance 6.0 credits

Behavioral Finance

This is a translation of the Swedish, legally binding, course syllabus.

If the course is discontinued, students may request to be examined during the following two academic years

Establishment

On 13/06/2019, the Dean of the ITM school has decided to establish this official course syllabus to apply from spring term 2020 (registration number M-2019-1325).

Grading scale

A, B, C, D, E, FX, F

Education cycle

Second cycle

Main field of study

Industrial Management

Specific prerequisites

Achieved the requirements for Degree of Bachelor of Science.
ME1311 Corporate Finance or ME2064 Finance and Control in Industrial Organizations completed.

Language of instruction

The language of instruction is specified in the course offering information in the course catalogue.

Intended learning outcomes

After passing the course, the students should be able to:

1. Summarise and explain the main theories in Behavioural Finance and relate these to problems associated with traditional economic theory.
2. Add up and explain the research methods that are used in Behavioural Finance and the results of this research.
3. Explain and analyse how psychological factors influence both individual investors and markets.
4. Apply generally established concepts to describe and analyse trade, risk and liquidity in financial markets.
5. Apply acquired knowledge to draw conclusions regarding the decision-making of people in financial questions in chosen parts of the financial market (for example product development, trade with financial instruments or development of behavioural models)

Course contents

The field of Behavioural Finance deals with how psychological factors influence independent investors and how this influences the financial markets. This field thereby problematise the neoclassical economical theory and question its prevalent assumption about market efficiency.

The course has three main parts: The first part of the course treats the individual investor and how psychological factors influence the decision making process. Here is used for instance empirical research results in psychology and decision making. The second part of the course treats the field of market efficiency. A large part of the Behavioural Finance field is about questioning the assumption about efficient markets prevalent in economical theory. Within this field, this part is often called "Limits of Arbitrage". The third part of the course is spent on practical applications of Behavioural Finance.

The course consists of lectures, computer exercises and a group task that is reported at a seminar.

Examination

- SEM1 - Seminar, 2.0 credits, grading scale: P, F
- TEN1 - Exam, 4.0 credits, grading scale: A, B, C, D, E, FX, F

Based on recommendation from KTH's coordinator for disabilities, the examiner will decide how to adapt an examination for students with documented disability.

The examiner may apply another examination format when re-examining individual students.

Other requirements for final grade

There are modules with compulsory attendance in the course.

Ethical approach

- All members of a group are responsible for the group's work.
- In any assessment, every student shall honestly disclose any help received and sources used.
- In an oral assessment, every student shall be able to present and answer questions about the entire assignment and solution.