

# Finance (FNCE) 405

## Empirical Finance (Revision 1)

**Delivery mode:** Individualized study online [↗](#) or Grouped study [↗](#)

**Credits:** 3

**Area of study:** Applied Studies (Business and Administrative Studies)

**Prerequisites:** FNCE 401 or FNCE 470 or equivalent.

**Precluded:** None

**Challenge:** FNCE 405 has a challenge for credit option.

**Faculty:** Faculty of Business [↗](#)

**Status:** Replaced with new revision, see the [course listing](#) [↗](#) for the current revision [✕](#)

**Notes:** Students registering in grouped study, or grouped study international mode are advised that there may be some differences in the evaluation and course materials information indicated below. To obtain the most up-to-date information, contact

the Faculty of Business Student Support Centre at  
1-800-468-6531.

## Overview

*Finance 405: Empirical Finance* examines major methods and findings in empirical studies in finance, with emphasis on the efficient markets hypothesis and its applications. Topics covered include testability of the capital asset pricing model, arbitrage pricing theory, risk premiums, and environmental impacts on financial assets. The course also explores topics in economics such as uncovered interest parity.

*FNCE 405* is one of the core courses for the Financial Services major in the Bachelor of Commerce program. This course relates students' knowledge of finance models such as the CAPM and APT to work done by researchers to prove or disprove these models. Students also read and critically examine empirical research literature in finance and learn how to perform quantitative analysis on financial data series, such as

- classical regression analysis
- univariate time series modelling and forecasting
- simulations.


As part of the requirements for this course, students must complete a research project that applies the concepts in the course to real-life data.

## Outline


- Lesson 1: Introduction to Empirical Finance
- Lesson 2: Classical Linear Regression Analysis (I)


- Lesson 3: Classical Linear Regression Analysis (II)
- Lesson 4: Violations of CLRM Assumptions (I)
- Lesson 5: Violations of CLRM Assumptions (II)
- Lesson 6: Violations of CLRM Assumptions (III)
- Lesson 7: An Introduction to MA(q) and AR(p) processes
- Lesson 8: Box-Jenkins Approach
- Lesson 9: Forecasting

## Evaluation

Your final grade in FNCE 405 is based on three assignments, a final project, and a Final Examination. You must achieve a minimum grade of D (50%) on the Final Examination and an overall course grade of **“D” (50 percent)** . If you are taking FNCE 405 as one of the core courses for the Financial Services major in the Bachelor of Commerce program, check the AU online calendar for specific requirements. The following chart describes the credit weight associated with each assessment component:


Activity	Weight
Assignment 1	10%
Assignment 2	10%
Assignment 3	10%
Final Project	30%
Final Online Exam	40%
<b>Total</b>	<b>100%</b>

The **final examination** for this course must be taken online with an AU-approved exam invigilator at an approved invigilation centre. It is your responsibility to ensure your chosen invigilation centre can accommodate online exams. For a list of invigilators who can accommodate online exams, visit the [Exam Invigilation Network](#) .

To learn more about assignments and examinations, please refer to Athabasca University's [online Calendar](#) .

If you are not satisfied with the grade you receive on an examination, or if you receive a grade below D, you may write a supplemental examination. However, before writing a supplemental examination, you should thoroughly review the material covered and, if necessary, contact the Call Centre for information on areas where you lost marks on your first attempt. If you write a supplemental examination, your final grade will be the higher of the grades you receive on the supplemental or original examination.

## Materials

Brooks, C. (2006). *Introductory econometrics for finance*, Cambridge, UK: University Press, Cambridge.  (Print)

## Other Materials

All other materials will be available to students online.

## Challenge for credit

### Overview

The Challenge for credit process allows you to demonstrate that you have acquired a command of the general subject matter, knowledge, intellectual and/or other skills that would normally be found in a university-level course.

Full information about [Challenge for credit](#)  can be found in the Undergraduate Calendar.

## Evaluation

To **receive credit** [↗](#) for the FNCE 405 challenge registration, you must achieve a grade of at least **“D” (50 percent)** [📄](#) on the examination.

- Online Exam (3 hours)

[📄](#) **Challenge for credit course registration form**

## Important links

- › [Academic advising](#) [↗](#)
- › [Program planning](#) [↗](#)
- › [Request assistance](#) [↗](#)
- › [Support services](#) [↗](#)

Athabasca University reserves the right to amend course outlines occasionally and without notice. Courses offered by other delivery methods may vary from their individualized study counterparts.

*Opened in Revision 1, December 7, 2007*

*Updated February 10, 2022, by Student & Academic Services*