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| Title of course | **Behavioural Finance and Investments** |
| Responsible instructor | Prof Dr Mareike Heinemann |
| Learning objectives | * Apply insights from psychology to describe the judgement and decision-making of individual or professional investors and how financial markets are affected * Apply insights from psychology to describe the judgement and decision-making of (financial) managers and how corporate investment decision-making and future company performance are affected * Identify behavioural economic theories and understand the differences between a traditional finance perspective and a behavioural finance perspective * Know heuristics as rules of thumb in decision-making and contrast the heuristics-and-biases programme to other approaches of heuristic reasoning * Identify typical cognitive biases in decision-makers’ judgement * Apply behavioural findings to the financial and corporate investment decision context * Understand the impact of further concepts such as overconfidence mental accounting and the role of emotions in financial decision-making * Identify and critically evaluate debiasing strategies |
| Course contents | 1. Introduction  2. Conventional approach to financial decision-making  3. Prospect Theory  4. The concept of heuristics and cognitive biases  5. Further psychological concepts  6. Implications for individual investor decision-making  7. Implications for corporate investment decision-making  8. Debiasing |
| Teaching methods | * Lectures * Exercises * Hermeneutic discourses * Maieutic discourses * Discussion * Project work * Student presentation * Self-study |
| Prerequisites | There are no formal requirements. |
| Suggested reading | Preferably most recent edition:   * Ackert, L.F., Deaves, R.: Behavioral Finance: Psychology, Decision-Making, and Markets, South-Western * Baker, H.K., Nofsinger, J.R.: Behavioral Finance: Investors, Corporations, and Markets, John Wiley & Sons * Bazerman, M. H., Moore, D. A.: Judgment in Managerial Decision Making, Wiley * Belsky, G., Gilovich, T.: Why Smart People make Big Money Mistakes and How to Correct Them, Simon & Schuster * Hastie, R., Dawes, R. M.: Rational Choice in an Uncertain World: The Psychology of Judgment and Decision Making, Sage * Nofsinger, J.R.: The Psychology of Investing, Prentice Hall * Plous, S.: The Psychology of Judgment and Decision Making, McGraw-Hill * Further references will be given during the classes. |
| Applicability | This course is in particular applicable to the following Master programmes:  International Business and Economics (M.A.; “IBE”), Finance (M.Sc.).  This course is also applicable to other business-oriented Master programmes offered by Schmalkalden University of Applied Sciences. |
| Workload | Total workload: 180 hours, of them:   * Lecture: 45 * Self-study: 135, of them: * Course preparation (in particular reading): 40 * Follow-up: 20 * Preparation for academic research project: 45 * Exam preparation: 30 |
| ECTS credit points and weighting factor | 6 ECTS credit points; weighting factor: 6/120 (IBE) or 6/90 (Finance), respectively |
| Basis of student evaluation | * Comprehensive written examination, 90 minutes (80%) * Student research project and presentation (20%) |
| Time | First academic year |
| Frequency | Each academic year |
| Duration | One semester |
| Course type | Elective course |
| Remarks | Teaching language is English. |