

AG428/AG507 ASSET PRICING 2023/24 SEMESTER 1

NAME OF LECTURERS:

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CLASS DESCRIPTION

The class covers a range of issues relating to the empirical analysis of evaluating asset pricing models.

PREREQUISITES

AG151 (Introduction to Finance and Accounting) or AG105 (Introduction to Finance and Financial Statistics), and all core Finance classes in years 2 and 3.

LEARNING OUTCOMES

The following learning outcomes will contribute to your self-analysis and reflection in your Student's Personal Development Planning (SPDP). These learning outcomes will be assessed using the methods explained in the "Assessment" section in this Outline.

Subject-specific knowledge and skills

On completing this class you will be able to:

- A.1 Understand the time-series regression approach to evaluate linear factor models.
- A.2 Test linear factor models using Matlab and interpret the resulting empirical findings.
- A.3 Explain the factor spanning regression tests.
- A.4 Discuss the model comparison tests in the time-series regression approach.
- A.5 Evaluate the impact of market frictions on tests of portfolio efficiency.
- A.6 Examine the alternative approaches to test mean-variance efficiency in the presence of market frictions.
- A.7 Evaluate the benefits of using conditioning information in mean-variance portfolio strategies.

Cognitive abilities and non-subject specific skills

Please contact Jillian D'Agostino in the Department of Accounting and Finance if alternative formats of teaching materials are required or if you need any other assistance. 1

- B.1 Develop academic skills in reading and understanding academic research papers.
- B.2 Develop computational skills in undertaking empirical research through the use of Matlab in the areas covered by the class that are also applicable to other areas of Finance.
- B.3 Develop analytical skills in interpreting empirical findings and recognising some of the limitations faced by empirical researchers.
- B.4 Exercise independent judgement in assessing what are relevant research papers and in the evaluation of research findings.

ASSESSMENT

The modes of assessment are:

Coursework	50%
Final examination	50%
Total	100%

The coursework is due to be submitted on Thursday of week 9. Fuller details of the coursework and final exam will be provided in the class.

It is a requirement for course completion to submit all parts of the class assessment. Non-submission of any part will result in an overall mark of zero being awarded for the class.

The Department of Accounting and Finance is returning to on campus, in person examinations in all classes. To support you in your exam preparation in this class:

There will be a one hour session for attempting a past essay exam question under exam conditions.

There will be a review session looking at past exam questions and possible structures of answers.

The exam will be two essays out of a selection of 4 questions.

PENALTIES FOR LATE SUBMISSION

The Business School follows the University's policy for the late submission of assessed work:

[POLICY and procedure for LATE SUBMISSION OF COURSEWORK \(strath.ac.uk\)](#)

FEEDBACK

The standard turnaround time for all feedback and marking within SBS is 15 working days from assessment submission.

The University policy on Assessment and Feedback is available here:

[Assessment and Feedback Policy \(strath.ac.uk\)](#)

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COMPENSATION SCHEME

The Business School follows the University's compensation policy, which can be found here:

https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Policy_on_Compensation_Scheme.pdf

Reassessment

TEACHING AND LEARNING

The teaching and learning strategy adopted in the course to meet the learning outcomes employs a variety of approaches. Students will learn through directed reading, independent reading, formal class contact in lectures and workshops, undertaking empirical analysis through the problem sets, and electronic resources. Formal class contact time through lectures and workshops will provide an overview of the relevant topics and a summary of research findings. Lectures/workshops will be held once every week for ten weeks of 3 hour sessions.

READING

There is no textbook for this class. There will be readings from journal research articles which will be given in class.

LECTURE PROGRAMME

The following topics will be considered:

Week 1: Introduction to linear factor models and time-series regression approach.

Week 2: Gibbons, Ross and Shanken(1989) test of mean-variance efficiency, introduction to Matlab, testing linear factor models.

Week 3: Testing linear factor models and pricing error metrics. Factor redundancy tests.

Week 4: Alternative tests of mean-variance efficiency.

Week 5: Model comparison tests, multiple testing, sample mean-variance portfolios.

Week 6: Testing mean-variance spanning.

Week 7: Testing portfolio efficiency in the presence of market frictions.

Week 8: Testing portfolio efficiency in the presence of market frictions. Testing portfolio efficiency in the presence of conditioning information.

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Week 9: Testing portfolio efficiency in the presence of conditioning information.

Week 10: Review

UNIVERSAL MARKING GUIDE (ASSESSMENT DESCRIPTOR)

%	Descriptor
80 – 100	<u>Outstanding demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • wide, appropriate knowledge and understanding (and where appropriate effective project work) including insight and originality • evidence of reading and thought beyond course/assignment materials • appropriate use of references and exemplars • an outstanding standard of writing and communication and/or presentation
70 – 79	<u>Excellent demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • wide, appropriate knowledge and understanding (and where appropriate effective project work) including insight or originality • evidence of reading and thought beyond course/assignment materials • appropriate use of references and exemplars • an excellent standard of writing and communication and/or presentation
60 – 69	<u>Comprehensive demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • wide appropriate knowledge and understanding (and where appropriate effective project work) with only occasional lapses in detail • evidence of reading and thought beyond course/assignment materials • a high standard of writing and communication
50 – 59	<u>Satisfactory demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • sound knowledge and understanding of essential material (and where appropriate essential project skills) • general accuracy with occasional mistakes and/or uncoordinated use of information
40 – 49	<u>Adequate demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • basic knowledge and understanding (and where appropriate basic project skills) • omissions and/or weaknesses of presentation and/or logic and/or evidence
30 – 39	<u>Limited demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • some relevant information and limited understanding (and where appropriate some project work completed under supervision) • omissions and/or weaknesses of presentation and/or logic and/or evidence • lack of familiarity with the subject of assessment and/or assessment vehicle
20 – 29	<u>Inadequate demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • a few key words, phrases or key ideas • extensive omissions and/or weaknesses of presentation and/or logic and/or evidence • serious errors • inadequate evidence of learning or inadequate project work
1 – 19	<u>Weak performance in learning outcomes</u> <ul style="list-style-type: none"> • serious errors • extensive omissions and/or weaknesses of presentation and/or logic and/or evidence • deficient evidence of learning or deficient evidence of project work
0	No relevant work submitted for assessment