







# Finance (FNCE) 405

## Empirical Finance (Revision 2)

**Status:**

Replaced with new revision, see the [course listing](#)  for the current revision 

**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](#) 

**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

Welcome to *FNCE 405: Empirical Finance*. This course 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 capital asset pricing model (CAPM), arbitrage pricing theory (APT), risk premiums, and environmental impacts on financial assets. We also make forays into topics in economics such as the Uncovered Interest Parity.

*FNCE 405* is a core course in the Finance Major in the Bachelor of Commerce program. You studied finance models such as the CAPM and APT in 300-level finance courses; this course relates your knowledge of finance models to work done by researchers to prove or disprove these models. You will 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.



As part of the requirements for this course, you must complete a research project. This research project will allow you to apply the concepts you have learned in the course to real-life data and will perhaps stimulate your interest in various research areas in finance.

## 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: Univariate Time Series Modelling: MA(q) and AR(p) processes
- Lesson 8: Univariate Time Series Modelling: Box-Jenkins Approach
- Lesson 9: Exponential Smoothing and Forecasting

## Evaluation

Your final grade in FNCE 405 is based on three assignments, a final project, and a Final Examination. To **receive credit**  for *FNCE 405* you must achieve a minimum grade of 50% on the Final Examination and an overall course grade of **“D” (50 percent)** .

The assignments are designed to help you prepare for the Final Examination. While you are not required to complete the assignments in order to pass the course, students who choose not to complete assignments often experience difficulties with the examinations. Keep in mind that if you do not submit an assignment before your contract end date, you will receive a grade of zero for it.

The following table describes the credit weight associated with each assessment component:

Activity	Weight	Complete by
Assignment 1	10%	After completing Lesson 3 and Chapters 1–4 of the textbook
Assignment 2	10%	After completing Lesson 6 and Chapter 5 of the textbook
Assignment 3	10%	After completing Lesson 9 and Chapters 6 and 15 of the textbook
Final Project	30%	After completing Lesson 9 and submitting Assignment 3

Activity	Weight	Complete by
Final Online Exam	40%	After completing all three assignments and final project
<b>Total</b>	<b>100%</b>	

The **final examination** for this course must be requested in advance and written under the supervision of an AU-approved exam invigilator. Invigilators include either ProctorU or an approved in-person invigilation centre that can accommodate online exams. Students are responsible for payment of any invigilation fees. Information on exam request deadlines, invigilators, and other exam-related questions, can be found at the [Exams and grades](#) section of the Calendar.

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

You must request your examination well in advance of the date on which you plan to write it. See [Requesting an Exam](#) for procedures to follow. You are advised not to attempt the final examination until you have received feedback on all of your course work.

**All of your course work must be submitted before 12:00 midnight (Mountain Time) on the final day of your contract.**

If you are not satisfied with the grade you receive on an examination, or if you receive a grade below 50%, you may write a supplemental examination. If you write a supplemental examination, your final grade will be the higher of the grades received on the supplemental or original exam. There is a fee for supplemental examinations. See the [AU Calendar](#) for details.

## Materials

### Digital course materials

Links to the following course materials will be made available in the course:

Brooks, C. (2019). *Introductory econometrics for finance* (4<sup>th</sup> ed.). Cambridge University Press.

## Other Materials

This course also makes extensive use of the EViews software, which is included in the course package. Please note that EViews does not offer full functionality or support for some versions of the Mac operating system. It is the student's responsibility to have access to a computer appropriate for EViews. Please contact the Faculty of Business Student Support Centre for more information.

## 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 2, October 22, 2024*

*Updated March 10, 2025*

View **previous revision** 

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