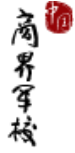




**PHBS**  
北京大学汇丰商学院



## *Behavioral Finance*

FIN570- Behavioral Finance

Module 3, 2025-2026

### **Course Information**

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Office Hours: Monday & Thursday 3:30-5:30 pm, or by appointment

**Course Website:**

Course Management System (CMS): FIN570-Behavioral Finance

Course code and enrolment key are both: FIN570

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## **1. Course Description**

### **1.1 Context**

**Course Overview:** Modern Finance originated in the 1950s and has continually evolved over the decades, establishing a comprehensive financial theory predicated on the assumptions of human rationality in decision making (in order to facilitate modelling). It has been a great success that has developed powerful Nobel prize-winning theories that are quite consistent with observation – contributions such as efficient market hypothesis, portfolio theory, option-pricing and agency theory, among others. This classical theory of finance has profoundly influenced our understanding of financial market operations and corporate financial management.

However, there remain many anomalies that these traditional models struggle to explain; such as, various anomalies in the price of assets (e.g., why low P/E firms outperform the high ones), the wide swings in stock prices – say relative to the more stable dividends shareholders receive, and why some managers undertake value-destroying mergers. The field of Behavioral Finance has put forth explanations for these anomalies, proposing that not all market participants are fully rational and that even rational investors face constraints.

In this course we will examine how the insights of Behavioral Finance help us understand investors' trading patterns, the often anomalous behavior of asset prices, and distortions in firm outcomes. This course starts from the debate between traditional finance and behavioral finance theories, providing a detailed introduction to the foundational theories of Behavioral Finance. It explores the cognitive and psychological biases of irrational investors, the limited arbitrage capabilities of rational investors, and how the presence of both leads to markets that are not perfectly efficient. The course will focus on anomalies in the stock market and explain them within the framework of behavioral finance. Additionally, it will cover the impact of behavioral finance on individual investor behavior, investors' collective behavior in financial markets, investment strategy management, and its application in Corporate Finance.

Prerequisites: Students are required to have completed the prerequisite courses, as specified by PHBS.

## 1.2 Textbooks and Reading Materials

There is, unfortunately, no single textbook that comprehensively covers all or the majority of topics discussed in this course. As a result, there is no required textbook for this class. The textbooks and articles listed below provide in-depth coverage of certain topics and will be very useful for the course.

### Textbooks:

- Behavioral Finance: Insights into Irrational Minds and Markets (Author: James Montier)
- Behavioral Finance: Psychology, Decision-Making, and Markets (Authors: Lucy F. Ackert and Richard Deaves)

### Survey articles:

- A Survey of Behavioral Finance Handbook of Behavioral Economics (Nicholas C. Barberis and Richard Thaler)
- Psychology-based Models of Asset Prices and Trading Volume, Handbook of Behavioral Economics (Author: Nicholas C. Barberis)
- Behavioral Corporate Finance, Handbook of Behavioral Economics (Author: Ulrike Malmendier)

Additional reading materials will be posted on CMS.

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	Yes
	1.2. Students can professionally present their ideas and also logically explain and defend their argument.	Yes
2. Our graduates will be skilled in teamwork and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	Yes
	2.2. Students will be able to apply leadership theories and related skills.	Yes
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution, and defend it.	Yes
	3.2. Our students will practice ethics in the duration of the program.	Yes
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	Yes
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	Yes
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	Yes
	5.3. Our students will demonstrate competency in critical thinking.	Yes

### 2.2 Assessment/Grading Details

Assessment	Weighting
Attendance	10%
Class Participation	20%
Group Projects	70%
Total	100%

**Attendance (10%):** Attendance is essential. Please make every effort to attend every class. Absences, late arrivals, and early departures will negatively affect your attendance grade and may also reduce your participation grade.

**Participation (20%):** Your participation grade reflects my assessment of your contribution to our learning environment, based on (1) how often you contribute, (2) the quality of your comments (relevance, insight, and engagement with others' ideas), and (3) professionalism (preparedness, respect for classmates, no side conversations, no cell phones). Participation will primarily come from in class discussion, as an interactive classroom is essential to learning.

**Group Projects (70%):** There will be two group projects, one mid-term and one final project. Each project is worth 35 points (30 points for the group component + 5 points for the individual component), for a total of 70 points. Students may form groups on their own. Each group may have up to X students. Details will be discussed in class.

### 2.3 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honours, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

AI tools requirements:

Using AI tools to complete assignments or assessments without the approval of the course instructor will be regarded as an act of academic dishonesty. Depending on the severity of the situation, penalties will be implemented in accordance with the provisions of the Peking University Graduate Student Handbook.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

### 3. Topics, Teaching and Assessment Schedule

The following is a tentative outline of the topics covered in the course. All topics are subject to change.

Week	Topic
1	Introduction & Efficient Market Hypothesis
2-3	Empirical Facts: Anomalies & Limits to Arbitrage
4	Mid-term Project Presentation
5-6	Beliefs/Preferences/Bounded Rationality
7-8	Behavioral Investing/Behavioral Corporate Finance
9	Final Project Presentation

Notes: Class dates: Mar.2,5,9,12,16,19,23,26,30, Apr.2,8,9,13,15,16,20,23,27

Class Time: Mon & Thur.1:30-3:20 PM