



# **Syllabus Behavioral Finance**

---

**March – July 2025**

Guillermo Dávila Jaramillo, MBA

## I. General information about the course

<b>Subject:</b>	Behavioral Finance		
<b>Pre-requisite:</b>	Finanzas II	<b>Código:</b>	05648
<b>Precedente:</b>	N/A	<b>Semester:</b>	2025 - 1
<b>Crédits:</b>	3	<b>Cycle:</b>	VIII
<b>Weekly Hours:</b>	3 hours	<b>Type of the course:</b>	Presencial
<b>Career(s)</b>	Finance and Administration	<b>Course Coordinator</b>	Julio Quispe jquispe@esan.edu.pe

## II. Summary

The course objective is to explore the ethics and behavior of agents in financial markets, preferences and the way investors make decisions, as well as analysis of corporate decision making process.

## III. Course Objectives

The course has two objectives, the first focuses on the professional in finance, where the student will learn and know how to recognize according to different situations the correct way of how to perform and take decisions as a professional in finance.

The second objective focuses on the counterparty, ie the investor. At this stage the student is able to recognize the motivations, attitudes and behavior of the investor in the financial market. Combined both objectives the student will perform in a professional and ethical manner understanding the actions of the investor.

## IV. Learning Results

**After completing this course, the student will:**

- Understand behavioral finance
- Code of Conduct in Finance
- Behavioral Finance Biases
- Decision Making in Finance from a Behavioral Perspective
- Knows and applies standards of financial ethics and corporate governance.
- Understand Biases in Finance Conduct
- Identifies the financial market sentiment
- Understand Framing and Group Think Conducts in Organizations
- Understand conflict of interest in organizations
- Understand Corruption in the Organizations
- Groupthink
- Summary of Behavioral Finance.

- Understand how the investor interprets information to make decisions
- Manages tools and a framework that allows to recognize financial market trends.

## V. Methodology

---

During the course of the classes will be taught theory corresponding to the topics of the syllabus and will develop examples on the points treated in each one of them and then make a workshop where students will discuss in a plenary each of the situations that the teacher proposes. In some cases videos or similar will be used for the reinforcement of the class session.

We'll examine typical errors made by financial market participants as a result of behavioral biases, and examine the extent to which irrationality can affect financial markets at the aggregate level ("bubbles"), how long irrationality may persist, and what factors will eventually cause these bubbles to burst ("crashes").

## VI. Evaluation

---

The evaluation system is permanent and integral. The course grade is obtained by averaging the continuous assessment (70%) and final exam (30%).

The average of the ongoing evaluation results from the ongoing evaluation average reading control, case studies, quizzes, final project and other activities considering the weighted table. The weights within the ongoing evaluation are described in the following table:

Average of the Ongoing Evaluation 70%		
Type of Evaluation	Description	Weight %
Reading Controls	4 reading controls	25
Practical Cases	4 Cases	25
Final Project	Group/Individual Research Paper	25
Final Project Presentation	Presentation Final Paper	15
Class Participation	Class Participation & Attendance	10

The final grade average is obtained by:

$$FG = (0, 70 \times \text{Average Ongoing Evaluation}) + (0, 30 \times FE)$$

### Legend:

**FG** = Final Grade  
**AOE** = Average Ongoing Evaluation  
**FE** = Final Exam

## VII. Course Content

WEEK	CONTENTS	ACTIVITIES/EVALUATION
<b>LEARNING UNIT I: General Concepts and Course Introduction</b> <b>LEARNING OUTCOMES:</b> <ul style="list-style-type: none"> <li>Understand behavioral finance</li> <li>Code of Conduct in Finance</li> <li>Behavioral Finance Biases</li> <li>Decision Making in Finance from a Behavioral Perspective</li> </ul>		
<b>1°</b> <b>From</b> <b>March</b> <b>17<sup>th</sup> to</b> <b>March</b> <b>22<sup>nd</sup></b>	<b>1. Course Description</b>  Introduction to behavioral finance Rational & Irrational Behavior General Definitions  <b>Professionalism Conduct</b> <ul style="list-style-type: none"> <li>Decision Making in Finance</li> <li>Utility of Money</li> <li>Omission Bias</li> <li>Decision Making and Probabilities</li> <li>Availability Heuristic</li> </ul>	Presentation of the Course Methodology  Guidance review (guidelines) for the development of the final research work  Review of the Guide for the presentation of written works at the Esan University (APA standards)  Introduction to Behavioral Finance Concepts.
	Reading Assignment: Standards of Practice Handbook pages 11-45	
<b>LEARNING UNIT II: Professionalism and Finance Conduct</b>  <b>LEARNING OUTCOMES:</b> Understand Biases in Finance Conduct		
<b>2°</b> <b>From</b> <b>March</b> <b>24<sup>th</sup></b> <b>to</b> <b>March</b> <b>29<sup>th</sup></b>	<b>2 - Professionalism Conduct</b> <ul style="list-style-type: none"> <li>Framing I</li> <li>Representativeness</li> <li>Decision Making and Probabilities</li> <li>Availability</li> <li>Overconfidence</li> </ul>	
	Reading Assignment: Standards of Practice Handbook pages 49-63	
<b>LEARNING UNIT III: Integrity in Capital Markets</b> <b>LEARNING OUTCOMES:</b> <ul style="list-style-type: none"> <li>Identifies the financial market sentiment</li> <li>Integrity in Capital Markets</li> <li>Obligations of Customers and Employees</li> </ul>		

<p>3°</p> <p>From March 31<sup>th</sup> to April 05<sup>th</sup></p>	<p><b>3.Integrity of Capital Markets</b></p> <ul style="list-style-type: none"> <li>• Money Management</li> <li>• Market Bubbles and Crashes</li> <li>• Speculative Bubbles</li> <li>• Survival</li> </ul>	<p><b>Case N° 1:</b></p> <p><b>Financial Behavior and Biases:</b> <b>Introduction and Professionalism Conduct</b></p>
	<p>Reading Assignment:</p> <p>Standards of Practice Handbook pages 69-79</p>	
<p>4°</p> <p>From April 07<sup>th</sup> to April 12<sup>th</sup></p>	<p><b>4. Obligations – Customers and Employees</b></p> <ul style="list-style-type: none"> <li>• How to make ethical decisions</li> <li>• Ethical dilemma</li> <li>• Loyalty</li> <li>• Ethical blindness</li> </ul>	<p><b>Reading Control N° 1:</b></p> <p><b>Covers Professionalism Conduct and Integrity in Capital Markets</b></p>
	<p>Reading Assignment:</p> <p>Standards of Practice Handbook pages 69-101, pages 105-119</p>	
<p><b>LEARNING UNIT IV: Recommendations, Analysis &amp; Actions</b></p> <ul style="list-style-type: none"> <li>• Understand Framing and Group Think Conducts in Organizations</li> <li>• Understand conflict of interest in organizations</li> </ul>		
<p>5°</p> <p>From April 14<sup>th</sup> to April 16<sup>th</sup></p>	<p><b>5. Recommendations, Analysis &amp; Actions</b></p> <ul style="list-style-type: none"> <li>• Framing II</li> <li>• Groupthink Concept I</li> <li>• The Enron Story</li> <li>• The Lehman Brothers Story</li> </ul>	<p><b>Case N° 2:</b> <b>Enron Case</b></p>
	<p>Reading Assignment:</p> <p>Badaracco Jr, J. (2013). <i>Defining moments: When managers must choose between right and wrong</i>. Harvard Business Press.</p> <p>Enron scandal. (2016, May 27). In Wikipedia, <i>The Free Encyclopedia</i>. Retrieved 13:08, July 6, 2016, from <a href="https://en.wikipedia.org/w/index.php?title=Enron_scandal&amp;oldid=722389642">https://en.wikipedia.org/w/index.php?title=Enron_scandal&amp;oldid=722389642</a></p> <p>McDonald, L., &amp; Robinson, P. (2009). A Colossal Failure of Common Sense: The Incredible inside story of the Lehman Brothers.</p>	

6° From April 21 <sup>th</sup> to April 26 <sup>th</sup>	<b>6.Conflict of Interest</b> <ul style="list-style-type: none"> <li>• What are conflicts?</li> <li>• Power of Language</li> </ul>	<b>Reading Control N° 2 Covers Recommendations, Analysis &amp; Actions and Conflict of Interest</b>  <b>Review of Partial Exam</b>
	Reading Assignment: Dowie, M. (1977). <i>Pinto Madness. Mother Jones</i> , 128, 18-32. Palazzo, G., Krings, F., & Hoffrage, U. (2012). Ethical blindness. <i>Journal of Business Ethics</i> , 109(3), 323-338..	
7° From April 28 <sup>th</sup> to May 03 <sup>th</sup>	<b>7. Principal-Agent Theory &amp; Moral Hazard in Financial Institutions</b> <ol style="list-style-type: none"> <li><b>1. Understanding the Principal-Agent Relationship</b> <ul style="list-style-type: none"> <li>• <b>Definition and Fundamental Concepts</b> <ul style="list-style-type: none"> <li>◦ Who are principals, and who are agents?</li> <li>◦ Interests alignment vs. conflict of interests.</li> </ul> </li> <li>• <b>Incentive Structures and Their Role</b> <ul style="list-style-type: none"> <li>◦ Monetary vs. non-monetary incentives.</li> <li>◦ Short-term vs. long-term incentives.</li> </ul> </li> </ul> </li> <li><b>2. Moral Hazard Explained</b> <ul style="list-style-type: none"> <li>• <b>Conceptual Overview</b> <ul style="list-style-type: none"> <li>◦ Definition of moral hazard in finance.</li> <li>◦ Conditions that lead to moral hazard.</li> </ul> </li> <li>• <b>Implications for Risk-Taking</b> <ul style="list-style-type: none"> <li>◦ How asymmetric information affects behavior.</li> <li>◦ Examples from banking and financial crises.</li> </ul> </li> </ul> </li> <li><b>3. Principal-Agent Conflicts in Financial Institutions</b> <ul style="list-style-type: none"> <li>• <b>Executive Compensation and Risk</b> <ul style="list-style-type: none"> <li>◦ Bonuses and risk-taking behavior.</li> <li>◦ Case examples: Lehman Brothers and Bear Stearns.</li> </ul> </li> </ul> </li> </ol>	Case Addition: Theranos or FTX scandal for illustrating ethical blindness and conflicts of interest.  Interactive Activity: Role-playing scenarios where students must identify and address ethical conflicts, enhancing decision-making skills.
8° From May 05 <sup>th</sup> to May 10 <sup>th</sup>	<b>8.Investor Psychology I</b> <ul style="list-style-type: none"> <li>• Trend Formation</li> <li>• Group Think Concept I</li> <li>• Simple Heuristics</li> <li>• Mass Influence</li> </ul>	
<b>LEARNING UNIT V: Investor Psychology and Corruption in Organizations</b> <b>LEARNING OUTCOMES:</b> <ul style="list-style-type: none"> <li>• Understand investor decision making</li> <li>• Understand corruption in organizations.</li> </ul>		

<p><b>9°</b> <b>From</b> <b>May</b> <b>12<sup>th</sup> to</b> <b>May</b> <b>17<sup>th</sup></b></p>	<p><b>9. Investor Psychology II</b></p> <ul style="list-style-type: none"> <li>• Group Think Concept II</li> <li>• Emotional Biases in Investment Decisions (Anchoring, Loss Aversion, and Regret)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Case/Experiment Addition:</b> Kahneman &amp; Tversky's Prospect Theory experiment analysis</li> <li>• <b>Practical Exercise:</b> Simulated investment decision game, where students experience firsthand how emotional biases influence their financial choices.</li> </ul>
	<p>Reading Assignment: <a href="https://www.psychologytoday.com/basics/groupthink">https://www.psychologytoday.com/basics/groupthink</a></p>	
<p><b>10°</b> <b>From</b> <b>May</b> <b>19<sup>th</sup> to</b> <b>May</b> <b>24<sup>th</sup></b></p>	<p><b>10 -. Corruption in Organizations I</b></p> <ul style="list-style-type: none"> <li>• Danger of routines</li> <li>• Organizing for Ethical Blindness</li> <li>• Pressure in Organizations</li> <li>• Power of Strong Situations</li> </ul>	<p><b>Case N° 3: WorldCom Case and Pinto Case</b></p>
	<p>Reading Assignment: THE NORMALIZATION OF CORRUPTION IN ORGANIZATIONS Blake .E. Ashforth and Vikas Anand</p>	
<p><b>11°</b> <b>From</b> <b>May</b> <b>26<sup>th</sup> to</b> <b>May</b> <b>31<sup>th</sup></b></p>	<p><b>11 -. Corruption in Organization II.</b></p> <ul style="list-style-type: none"> <li>• What to do?</li> <li>• Peer Pressure</li> <li>• Irrationality Behavior in Markets</li> <li>• Market Bubbles</li> <li>• Chartism</li> </ul>	<p><b>Reading Control N° 3</b> <b>Covers Investor Psychology and Corruption in Organizations.</b></p>
	<p>Reading Assignment: THE NORMALIZATION OF CORRUPTION IN ORGANIZATIONS Blake .E. Ashforth and Vikas Anand</p>	

## LEARNING UNIT VI: ORGANIZATIONAL CHANGE – VALUE ENHANCEMENT

### LEARNING OUTCOMES:

- Groupthink
- Summary of Behavioral Finance.
- Understand how the investor interprets information to make decisions
- Manages tools and a framework that allows to recognize financial market trends.

12° From June 02 <sup>th</sup> to June 06 <sup>th</sup>	<b>12 -. The Challenger Case</b> <ul style="list-style-type: none"> <li>• Group Think and Herding BEhaviour</li> <li>• Trends</li> <li>• Change in Trends</li> <li>• Impact of Time in Decisions</li> </ul>	<b>Case N° 4: Challenger Case</b>
	Reading Assignment: - Situational strength. (2014, July 26). In Wikipedia, The Free Encyclopedia. Retrieved 15:26, October 21, 2014 Space Shuttle Challenger disaster. (2014, October 20). In <i>Wikipedia, The Free Encyclopedia</i> . Retrieved 15:23, October 21, 2014,	
13° From June 09 <sup>th</sup> to June 14 <sup>th</sup>	<b>13.- Behavioral Finance Summary I - How Investors Interpret Information to make decisions</b> <ul style="list-style-type: none"> <li>• The Power of Institutions</li> <li>• Finance in Capitalism</li> <li>• Types of Unethical Behavior</li> </ul>	<b>Reading Control N° 4</b>  <b>Covers Corruption in Organizations and questions related to cases presented.</b>
	Reading Assignment: - <i>Havel, V.</i> 1984. Living in truth. Extract from: Politics and conscience. Reprint in: Living in truth: 22 Essays published on the occasion of the award of the Erasmus price to Vaclav Havel. Faber & Faber Pub. Friedman, M. 1970. The social responsibility of business is to increase its profit. New York Times Magazine, September 13	
14° From June 16 <sup>th</sup> to June 21 <sup>th</sup>	<b>14.- Behavioral Finance Summary II - Manages tools and a framework that allows to recognize financial market trends</b> <ul style="list-style-type: none"> <li>• Nudging</li> <li>• How to create a wind of change?</li> <li>• How to protect organizations against ethical blindness</li> <li>• StoryTelling</li> </ul>	
	Reading Assignment: Thaler, R., & Sunstein, C. (2009). Nudge: The gentle power of choice architecture. Responsible consumption: The power of story telling – Guido Palazzo’s TEDx talk, March 2014	
15° From June 23 <sup>th</sup> to June 28 <sup>th</sup>	<b>15.- Integrative Framework for Behavioral Finance (connecting Biases, Ethics, Investor Psychology, and Decision-Making)</b>  <b>Interactive Activity:</b> Comprehensive Group Discussion based on a contemporary behavioral finance scenario (e.g., GameStop Meme Stock event) where students identify behavioral biases, ethics, investor sentiment, and market dynamics.	



	Presentation of Papers and of group Research Assignment	
16° From June 30 <sup>th</sup> to July 05 <sup>th</sup>	FINAL EXAMS	

## VIII. Bibliography

---

### Text Book

There is no Standard Book.

We have covered several papers and lecture in each session

## IX. Professor

---

Guillermo Dávila Jaramillo

[gdavila@esan.edu.pe](mailto:gdavila@esan.edu.pe)