

# FIN 533

## Research Topics in Corporate Finance

### 3rd Module, 2017

#### Course Information

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**Instructor: Hursit Selcuk Celil**

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Office Hour: Wednesday 4:30 - 6:30 pm

**Teaching Assistant:**

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**Classes:**

Lectures: Tuesday & Friday 1:30 - 3:20 pm

Venue: PHBS Building, TBD

**Course Website:**

TBD

## 1. Course Description

### 1.1 Context

Course overview:

Our approach is to spend time reading, discussing, and critiquing important articles in the literature. I will assign readings for each class. I recommend you to prepare written notes summarizing the articles assigned for each class day. For each article, I will choose a student (or a group of students depending on our class size) to lead the discussion in the class (i.e. 30 minute presentation). Although the presenter(s) is responsible to provide a summary, critique, a convincing demonstration of the importance of the article in the context of corporate finance literature, I expect every student in class to participate in class discussions. The purpose of your notes is to assist you in these discussions.

For efficiency reasons, I encourage you to form one big study group or multiple study groups to work together outside of class. I encourage you to talk about the papers and struggle with the meanings, contributions, and critiques of the papers together. You may find that dividing up the labor by having each group member be responsible for leading the discussion of one or two papers in your group.

For each selected area that we will cover, I also want you to brainstorm idea(s) for future research that is either related to the particular paper or an extension of it. It should be relatively detailed, including hypotheses along with their motivation, and empirical research

designs to test them. You will type up and turn in these ideas to me each class period individually. I will evaluate them each week for a grade. You are more than welcome to work on these ideas for your own research interest and your own dissertation.

Prerequisites:

You are required to have completed the prerequisite courses, as specified by PKU HSBC Business School. It is assumed that students have taken basic courses in economics, finance and econometrics before taking this course

## ***1.2 Textbooks and Reading Materials***

## **2. Learning Outcomes**

### ***2.1 Intended Learning Outcomes***

<b>Learning Goals</b>	<b>Objectives</b>	<b>Assessment</b>
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	Yes
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	Yes
2. Our graduates will be skilled in team work 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.	No
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.	No
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 Course specific objectives**

Your goal in this course should be to increase your knowledge about recent research in corporate finance, and more importantly, to learn how to conduct such a research on your own. Given the enormous volume of papers in corporate finance, it is not possible to achieve a comprehensive coverage in 9 weeks, and hence we will only cover selected areas in the field. In this regard, we will focus on well-known published, or the corresponding forthcoming papers. However, if you become interested in a particular area, I can provide you a list of related papers and review articles to focus so that you can become more familiar with the area.

## **2.3 Assessment/Grading Details**

Presentation, class discussion, research ideas = 50%

Final Proposal & Referee Report = 50%

Note: A final proposal will be submitted during the final exam week. The content of the final proposal and referee report will be discussed during the module.

## **2.4 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, honors, 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.

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

## **3. Miscellaneous**

Students with disabilities and needs assistance are required to get in touch with me as soon as possible and provide the documentary evidence if it is necessary. I will be happy to accommodate your needs.

## 4. Topics, Teaching and Assessment Schedule

### Tentative Schedule (SUBJECT TO CHANGE)

<u>Week</u>	<u>Papers</u>
1	<b>Course Introduction and Group Assignments</b> <ul style="list-style-type: none"> <li>How to read a Scientific Manuscript?</li> <li>Coles, Daniel, and Naveen: "Managerial incentives and risk taking" (JFE, 2006)</li> </ul>
2	<b>Corporate Governance &amp; Perks:</b> <ul style="list-style-type: none"> <li>Core, Guay, and Rusticus: "Does weak governance cause weak stock returns- An Examination of Firm Operating Performance and Investors Expectations" (JF, 2006)</li> <li>Rajan and Wulf: "Are perks purely managerial excess" (JFE, 2006)</li> <li>Yermack: "Flights of fancy-corporate jets, CEO perquisites, and inferior shareholder returns" (JFE, 2006)</li> </ul>
2,3	<b>Corporate Governance &amp; Directors:</b> <ul style="list-style-type: none"> <li>Brown, Dittmar, and Sarvaes: "Corporate governance, incentives, and industry consolidations" (RFS, 2005)</li> <li>Ryan and Wiggins: "Who is in whose pocket – Director compensation, board dependence, and barriers to effective monitoring" (JFE, 2004)</li> <li>Villalonga: "How do family ownership, control, and management affect firm value" (JFE, 2006)</li> <li>Wintoki, Linck, and Netter: "Endogeneity and the dynamics of internal corporate Governance" (JFE, 2012)</li> </ul>
2,3,4	<b>Corporate Governance &amp; Compensation Incentives:</b> <ul style="list-style-type: none"> <li>Garvey and Milbourn: "Asymmetric benchmarking in compensation-Executives are rewarded for good luck but not penalized for bad" (JFE, 2006)</li> <li>Oyer and Shaefer: "Why do some firms give stock options to all employees-an empirical examination of alternative theories" (JFE, 2005)</li> <li>Hartzell and Starks: "Institutional investors and executive compensation" (JF, 2003)</li> <li>Johnson, Moorman, and Sorescu: "Reexamination of corporate governance and equity prices" (RFS, 2009)</li> <li>Johnson, Ryan, and Tian: "Managerial incentives and corporate fraud" (RFS, 2009)</li> <li>Cadman, Rusticus, and Sundler: "Stock option grant vesting terms- Economic and financial reporting determinants" (WP, 2010)</li> <li>Chi, Gupta, and Johnson: "Managerial incentives horizons and the quality of firms information environments" (WP, 2010)</li> <li>Dyck, Morse, and Zingales: "Who blows the whistle on corporate fraud" (WP, 2010)</li> <li>Celil: "Managerial incentives, institutional investors, and firms risk profiles" (WP, 2012)</li> </ul>
5, 6,7	<b>Capital Structure:</b> <ul style="list-style-type: none"> <li>Fama and French: "Financing decisions – Who issues stock" (JF, 2005)</li> <li>Fama and French: "Testing trade-off and pecking order predictions about dividends and debt" (RFS, 2002)</li> <li>Rajan and Zingales: "What do we know about capital structure – some evidence from international data" (JF, 1995)</li> <li>Flannery Rangan (JFE 2006) Partial adjustment toward target capital structures</li> <li>Frank Goyal (JFE 2003) Testing the pecking order theory of capital structure</li> <li>Leary Roberts (JF 2005) Do firms rebalance their capital structures</li> <li>Jenter, Lewellen, and Warner: "Security issue timing-What do managers know and when do they know it?" (JF, 2011)</li> <li>Lemmon, Roberts, and Zender: "Back to the beginning, persistence and the cross-section of corporate capital structure" (JF, 2008)</li> <li>Shivdasani and Stefanescu: "How do pensions affect corporate capital structure decisions?" (RFS, 2009)</li> </ul>

7	<b>Mergers &amp; Acquisitions:</b> <ul style="list-style-type: none"> <li>• Harford: “What drives merger waves” (JFE, 2005)</li> <li>• Rhodes-Kropf, Robinson, and Viswanathan: “Valuation waves and merger activity - The empirical evidence” (JFE, 2005)</li> <li>• Shahrur: “Industry structure and horizontal takeovers- analysis of wealth effects on rivals, suppliers, and corporate customers” (JFE, 2005)</li> </ul>
7,8	<b>Creditors, Cost of capital and Cash:</b> <ul style="list-style-type: none"> <li>• Nini, Smith, and Sufi: “Creditor Control Rights, Corporate Governance, and Firm Value” (WP, 2009)</li> <li>• Hou, Van Dijk, and Zhang: “The implied cost of capital- a new approach” (WP, 2010)</li> <li>• Nikolov, and Whited: ”Agency conflicts and cash- estimates from a structural model” (WP, 2009)</li> </ul>
8,9	<ul style="list-style-type: none"> <li>• <b>Peer Firms, Institutional Activism, Monitoring Managers:</b></li> <li>• Engelberg, Gao, and Parsons: “Value of a Rolodex- CEO Pay and personal networks” (WP, 2009)</li> <li>• Leary and Roberts: “Do peer firms affect corporate financial policy?” (WP, 2010)</li> <li>• Cornelli, Kominek, and Ljungqvist: “Monitoring managers: Does it matter?” (WP, 2009)</li> <li>• Helwege and Intintoli: “Voting with their feet” (WP, 2009)</li> </ul>
9	<b>Final Proposal and Referee Report Review &amp; Due Date</b>