The course is an investigation of important topics in corporate finance. Although we cannot expect to cover every topic and even all aspects of the topics we do cover, I hope the students will have an appreciation of the basic paradigms, methods and ideas in modern research in corporate finance.

Each student is expected to take short quizzes, present a paper in class, and write a short (up to 6 pages) term paper. The term paper may be based upon published papers or pertaining to original research students are conducting. All topics and all paper presentations must be approved by the professor in advance. The deadline for the term paper is May 31st. Extensions may be granted mainly for original research. However, if for any reason whatsoever you do not complete the course requirements until 9/1/09, you will be in serious trouble!...

The underlined papers will be discussed in detail in class - other papers may be mentioned in less detail. The expanded reading list is for students who are interested in research in specific areas. The syllabus below is tentative and we will probably revise it as we get closer to the spring break and as students decide which papers they will present.

A Tentative SYLLABUS:

Week 1 (1/26)

Game Theory - Basic tools.


Week 2 (2/2)

Week 3 (2/9)

**Major concepts (continued).**

**Capital Structure**

Introduction.


**Interactions:**


*Additional article:* Dammon and Senbet (1988),

Week 4 (2/16)


Week 5 (2/23)

**Capital structure, empirical**

Week 6 (3/2)

**Debt structure**

First Quiz.

**Additional topics: Debt Maturity.**

Week 7 (3/9)

**Bankruptcy**


Additional bankruptcy papers:


Pulvino (1999).

Spring Break 3/16

Week 7 (3/23)

**Design of Securities**


Week 8 (3/30)

**Corporate Governance and executive compensation**

Introduction


Week 9 (4/6)

**Executive Objective Function and Corporate Hedging**


Week 10 (4/13)
Corporate Governance and executive objectives (continued)

Week 11 (4/20)
Mergers and the conglomerate discount


Week 12 (4/27)
Mergers and the conglomerate discount (continued)


Week 13 (5/4)
Conclusion, presentations.

READING LIST:

BOOKS:


PAPERS + BOOKS:

A. Capital Structure:


Kayhan, A. And S. Titman: Firms = Histories and their Capital Structure @ *Journal of Financial Economics*.


McDonald, R. “Corporate Financial Policy When there are Tax Intermediating Dealers@ Working paper, Northwestern University, presented in the WFA 2004.


Welch, I. Columbus Egg: Stock Returns are the Real Determinant of Capital Structure Journal of Political Economy, 2004

C. Interactions


Clayton, M. and S. A. Ravid The impact of leverage on bidding - theory and evidence from the FCC auctions Review of Financial Studies, Fall 2002


D: Game Theory.


E: Debt as a Signal in Models With Asymmetric Information.


F. Debt Maturity and Structure.


Leland, H. "Bond Prices, Yield Spreads and Optimal Capital Structure with Default Risk" Finance working paper # 240, Haas School of Business, University of California, Berkeley, November 1994(b).


G: Debt Policy Without Signalling in Models With Asymmetric Information.


H. Dividends.


I: Security Design and the boundaries of the firm


J: Initial Public Offers.


K: Mergers and Acquisitions, the conglomerate discount.


Masulis, R., C. Wang and F. Xie, 2007, Corporate Governance and Acquirer Returns,


I. Corporate Governance and Executive Compensation


Prendergast, C. AThe Provision of Incentives in Firms© Journal of Economic Literature, March 1999, pp. 7-64.


M: Bankruptcy.


Berkovitch, E. and R. Israel "The Bankruptcy Decision and Debt Contract Renegotiation" working paper, the University of Michigan, 1991.


Harris, M. and A. Raviv "The Design of Bankruptcy Procedures" working paper # 137 Kellogg School of Management Northwestern University, 1992.


N. Managerial Objectives and Hedging


