CORPORATE FINANCE, RUTGERS BUSINESS SCHOOL, SPRING 2011.

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Office Hours: by appointment- also feel free to stop by!

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 of modern research in corporate finance.

Each student is expected to take short quizzes, present 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.

The time allotted for each presentation and the number of people who can cooperate on research papers will be determined depending on the number of students enrolled in the course. This will be announced in the first week or two of the semester.

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.

Please check the course web site on blackboard regularly. Announcements and class notes will be posted. I will only clutter your email boxes in emergencies.

A Tentative SYLLABUS:

Week 1 (1/24)

Game Theory - Basic tools.


Week 2 (1/31)

Week 3 (2/7)

Major concepts (continued).
Capital Structure

Introduction.


Interactions:


Additional article: Dammon and Senbet (1988),

Week 4 (2/14)


Week 5 (2/21)
Capital structure, empirical


Week 6 (2/28)

Debt structure


First Quiz.

Additional topics: Debt Maturity.

Week 7 (3/7)

Bankruptcy


Additional bankruptcy papers:

Pulvino (1999).

SPRING BREAK 3/14

Week 8 (3/21)

Hedging and Risk Management


Week 9 (3/28)

Design of Securities


Week 10 (4/4)
Corporate Governance and executive compensation

Introduction


Week 10 (4/11)

Corporate Governance and executive objectives (continued)

Week 11 (4/18) Passover- class will be re-scheduled.
Mergers and the conglomerate discount


Week 12 (4/25)
Mergers and the conglomerate discount (continued)


Week 13 (5/2)
Conclusion, presentations.

READING LIST:

BOOKS :


PAPERS + BOOKS:

A. Capital Structure:

Baxter, N.D. "Leverage, the Risk of Ruin and the Cost of Capital"


Kayhan, A. And S. Titman: A 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. AColumbus Egg: Stock Returns are the Real Determinant of Capital Structure@ *Journal of Political Economy*, 2004

C. Interactions


Clayton, M. and S. A. Ravid AThe 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).


Morris, J. " Factors Affecting the Maturity Structure of Corporate Debt"


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


H. Dividends.


Hedging and Risk Management:


I: Security Design and the boundaries of the firm


J: Initial Public Offers.


K: Mergers and Acquisitions, the conglomerate discount.


I. Corporate Governance and Executive Compensation


Yermack, D. Do Corporations Award CEO Stock Options Efficiently? @ Journal of Financial Economics 39, 1995

M: Bankruptcy.


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


Dahiya, S. K. John M. Puri and G. Ramirez: A Debtor in Possession Financing and Bankruptcy Resolution@ Working paper, August 2002


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


