

Special Topics in Finance
Syllabus – Fall 08
Tuesday – 10.00 – 12.50
Prof. Simi Kedia

Methodology

Class 1

Fama, Fisher, Jensen and Roll, 1969, “The Adjustment of stock prices to new Information, International Economic Review

Brown and Warner, 1980, Measuring Security Price Performance, Journal of Financial Economics

Brad Barber and Lyon, 1997, Detecting Long Run abnormal stock returns: The empirical power and specification of test statistics, Journal of Financial Economics

Mergers and Acquisitions

Class 2

Michael Bradley, Anand Desai and E. Han Kim, (1988), Synergistic Gains from Corporate Acquisitions and their Division between the Stockholders of Target and Acquiring Firms,” Journal of Financial Economics, 21, 3-40.

Randall Morck, Andrei Shleifer and Robert Vishny, 1990, Do Managerial Objectives Drive Bad Acquisitions,” Journal of Finance, 45, 31-48.

Mark L. Mitchell and Kenneth Lehn, (1990), Do Bad Bidders Become Good Targets? Journal of Political Economy, Vol 98 372-398.

Gregor Andrade, Mark Mitchell and Eric Stafford, 2001, New Evidence and Perspectives on Mergers, Journal of Economic Perspectives, 41, 103-120.

Class 3

Fuller, K, J. Netter and M. Stegemoller, 2002, What do Returns to Acquiring Firms Tell Us? Evidence from firms that Make Many Acquisitions, Journal of Finance, 1763-1993.

Rhodes-Kropf, M., David Robinson, S. Vishwanathan, 2004, Valuation Waves and Merger Activity: The Empirical Evidence, Forthcoming Journal of Financial Economics

Arthur Warga and Ivo Welch, 1993, “Bondholders losses in leveraged Buyouts”, Review of Financial Studies, 6, 959-982

Additional Reading

Moeller, S., Schlingemann, F., Stulz, R., 2004. Firm size and the gains from acquisitions. *J. Finan. Econ.* 73, 201-228.

Song, M and R. Walking, 2008, Anticipation, Acquisitions and Bidder Returns: Industry Shocks and the Transfer of Information Across Rivals, Working paper

Micah Officer, 2008, The price of Corporate Liquidity: Acquisition Discounts for unlisted Targets, Forthcoming *Journal of Financial Economics*.

Diversification

Class 4

Berger, Philip G., and Eli Ofek, 1995, Diversification's effect on firm value, *Journal of Financial Economics* 37, 39–65.

Lang, Larry H.P., and René M. Stulz, 1994, Tobin's q , corporate diversification, and firm performance, *Journal of Political Economy* 102, 1248–1280.

Comment, Robert, and Gregg A. Jarrell, 1995, Corporate focus and stock returns, *Journal of Financial Economics* 37, 67–87.

Campa, José Manuel, and Simi Kedia, 2002 Explaining the diversification discount, *Journal of Finance*.

Graham, John R., Michael Lemmon, and Jack Wolf, 2002 Does corporate diversification destroy value?, *Journal of Finance*, 57

Belén Villalonga, 2004, Diversification discount or premium? New evidence from *BITS* establishment-level data, *Journal of Finance*.

Capital Structure

Class 5 and 6

Sheridan Titman and Roberto Wessels, The determinants of Capital Structure Choice, *Journal of Finance*, 43.

Rajan, Raghuram and Luigi Zingales, 1995, What do we know about Capital Structure? Some Evidence from International Data, *Journal of Finance* 50.

Mark Hoven STohs and David Mauer, 1996, The Determinants of Corporate Debt Maturity Structure, *Journal of Business*, Vol 69.

Ivo Welch, Common Flaws in Empirical Capital Structure Research, Working Paper, Brown University

Michael Lemmon, Michael Roberts, and Jaime Zender, 2007, Back to the Beginning: Persistence and the Cross Section of Corporate Capital Structure, Working Paper, Wharton.

John Graham, 1996, Debt and the Marginal Tax Rate, Journal of Financial Economics, 41.

Gregor Andrade and Steven Kaplan, 1998, How costly is financial (not economic) distress? Evidence from Highly Leveraged Transactions that Became Distressed, Journal of Finance.

Bankruptcy and Reorganization

Class 7

Stuart Gilson, 1990, bankruptcy, Boards, Banks and Blockholders: Evidence on Changes in Corporate Ownership and Control when Firms Default, Journal of Financial Economics, 27

Paul Asquith, Robert Gertner and David Scharfstein, 1994, Anatomy of Financial Distress: Examination of Junk Bond Issuers, Quarterly Journal of Economics, 109.

Julian Franks, and Walter Torous, 1994, A Comparison of Financial Restructuring in Distressed Exchanges and Chapter 11 Reorganization, Journal of Financial Economics, 35.

Todd Pulvino, 1998, Do Asset Fire Sales Exist? An Empirical Investigation of Commercial Aircraft Transactions, Journal of Finance.

Edith Hotchkiss, 1995, Postbankruptcy Performance and Management Turnover, Journal of Finance.

Geography

Class 8

Malloy, C., 2005. The geography of equity analysis. J. Finance 60, 719-755.

Audretsch, D., Feldman, M., 1996. R&D spillovers and the geography of innovation and production. Amer. Econ. Rev. 86, 630-640.

Coval, J., Moskowitz, T., 2001. The geography of investment: Informed trading and asset prices. J. Polit. Economy 109, 811-841.

Grinblatt, M., Keloharju, M., 2001. How distance, language and culture influence stockholdings and trades? *J. Finance* 56, 1053-1073.

Huberman, G., 2001. Familiarity breeds investment. *Rev. Finan. Stud.* 14, 659-680.

Petersen, M., Rajan, R., 2002. Does distance still matter? The information revolution in small business lending. *J. Finance* 57, 2533-2570.

Pirinsky, C., Wang, Q., 2006. Does corporate headquarters location matter for stock returns, *J. Finance* 61, 1991-2015.

Accounting Manipulation

Class 9

Paul Healy, 1985, The Effect of Bonus Schemes on Accounting Policies, *Journal of Accounting and Economics*.

Natasha Burns and Simi Kedia, 2006, The Impact of CEO Incentives on Misreporting, *Journal of Financial Economics* 79.

Simi Kedia and Thomas Philippon, The Economics of Fraudulent Accounting, Forthcoming at *Review of Financial Studies*.

Jonathan Karpoff, Scott Lee and Gerald Martin, 2008, The Consequences to Managers for Financial Misrepresentation, Forthcoming *Journal of Financial Economics*,

Alexander Dyck, Adair Morse and Luigi Zingales, 2008, Who Blows the Whistle on Corporate Fraud, Working Paper University of Chicago

Teoh, S., Welch, I., Wong, T., 1998. Earnings management and the long-run market performance of initial public offerings. *The Journal of Finance* 53, 1935-1974.

Analysts

Class 10

Womack, Kent, 1996, Do brokerage Analysts recommendations have Investment Value? *Journal of Finance*

Hong, H and J.D Kubik, 2003, Analyzing the Analysts: Career Concerns and Biased Earnings Forecasts, *Journal of Finance*

Roni Michaely and Kent Womack, Conflict of Interest and the Credibility of Underwriter Analysts Recommendations, *Review of Financial Studies*.

Frank Yu, Analyst Coverage and Earnings Management, Forthcoming Journal of Financial Economics

Ljungqvist, Alexander, Felicia Marston and William J. Wilhelm Jr., "Competing for Securities Underwriting Mandates: Banking Relationships and Analyst Recommendations," *Journal of Finance*, LXI, (2006), 301-340.

Ownership

Class 11 & 12

Harold Demsetz and Ken Lehn, 1985, The structure of corporate ownership: Causes and Consequences, *Journal of Political Economy*

Randall Morck, Andrei Shleifer and Robert Vishny, 1988, Management Ownership and Market Valuation, *Journal of Financial Economics*.

Charles P Himmelberg, Glenn Hubbard and Darius Palia, 1999, Understanding the Determinants of Managerial ownership and the link between Ownership and Performance, *Journal of Financial Economics*

Smith, M., 1996. Shareholder activism by institutional investors: Evidence from CalPERS. *The Journal of Finance* 51, 227-252.

Bushee, B., 1998. The influence of institutional investors on myopic R&D investment behavior. *The Accounting Review* 73, 305-333.

Gaspar, J. Massa, M., Matos, P. (2005) Shareholder Investment Horizons and the Market for Corporate Control, *Journal of Financial Economics*, *forthcoming*.

Hotchkiss, E. and D. Strickland, 2003, Does shareholder composition Matter? Evidence from the market reaction to corporate earnings announcements, *Journal of Finance* 58, 1469-1498.

Natasha Burns, Simi Kedia and Marc Lipson, 2007, Institutional Ownership and Monitoring: Evidence from Financial Reporting Practices

Compensation

Class 13

Brian Hall and Jeffery Liebman, 1998, Are CEOs really paid like Bureaucrats? *Quarterly Journal of Economics*.

Simi Kedia and Shiva Rajgopal, 2008, Neighborhood Matters: The impact of location on broad based options, Forthcoming *Journal of Financial Economics*.

Bergman, N.K and D. Jenter. 2007. Employee sentiment and stock option compensation. *Journal of Financial Economics* 84(3): 667-712

Oyer, P. and S.Schaefer. 2005. Why do some firms give stock options to all employees?: An empirical examination of alternative theories. *Journal of Financial Economics* 76(1): 99-133