BPHD 8230: Theory of Corporate Finance  
Fall Semester, 2016

Professor:   David C. Mauer  
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Class:  Monday 11:00 am – 1:45 pm, FRIDAY 207  
Office Hours:  By Appointment

Course Objective

The purpose of this course is to broaden your understanding of the key concepts and theories in corporate finance. We will also look at some of the important empirical literature. I may do some lecturing at various times during the course but the main format will be paper presentations and discussions.

Course Materials

1. Papers: See the list of topics/papers on the following pages. I will select a subset of the papers that we will discuss in class.

2. Referee report papers: I will supply a group of papers for referee reports. Each student will choose three of these papers to write referee reports.

Grading

1. Presentations  30%  
2. Class Participation  30%  
3. Referee Reports  15%  
4. Research Proposal  25%

1. Presentations

Each student will give several presentations during the course. I will provide a list of papers by topic area (a subset of the list below) that students will present and we will discuss in class. There will be two-three paper presentations each week.

Paper Presentation Guidelines: Each paper presentation should include the following components: (1) problem statement and motivation; (2) brief survey of the relevant literature; (3)
concise and intuitive explanations of theoretical arguments and/or empirical methodology; (4) summary of main results and contributions; (5) critical examination of the strengths and weaknesses of the paper; and (6) possible extensions for future research. You will be evaluated on the organization of your presentation, your ability to synthesize and explain the material, and your ability to answer questions from me and the class.

2. Class Participation

I have high expectations for attendance, preparation, and participation. You should carefully read all assigned papers before coming to class.

3. Referee Reports

Each student will write three referee reports during the semester. I will supply a group of papers not on the reading list that can be reviewed and I will give you some examples of referee reports that I have written. Students must sign up to referee a paper on a first-come, first-served basis (i.e., each paper will be reviewed by only one student). The first referee report is due September 30, the second referee report is due October 31, and the third referee report is due November 30.

Your referee reports should be a minimum/maximum of 3/6 pages and have the following components.

A. Paper Summary: Provide a one or two paragraph summary of what the paper does. This should have the same structure as the paper’s abstract but be a little more detailed.

B. Contribution: What is (are) the (actual or potential) contribution(s) of the paper to knowledge in the research area? For empirical work, are there any particularly novel aspects of the data used, the methodologies employed, or the questions posed? Is it clear that this paper extends what is done in the current literature?

C. Literature Review: Does the paper adequately document what has been done in the literature and how it contributes/extends the existing literature? Are there papers that the authors fail to cite which should be included in the reference list?

D. Research Design: Does the research design take appropriate account of the existing literature and is it appropriate/legitimate for answering the research questions posed? Overall, how would you rate the research methodology used in the paper?

E. Results: Does the paper have interesting results? Are the paper’s results robust? For empirical work, do the paper’s results appear sensitive to the sample, time period, or research methods employed?

F. Writing: Is the paper well written? How can the writing in the paper be improved?
G. Overall Assessment: Assume the paper is submitted to a journal and you (as the referee) are advising the editor about what he/she should do with the paper. In particular, state whether the paper should be (a) accepted without revision, (b) resubmitted with minor revisions, (c) resubmitted with major revisions, or (d) rejected. Note that for the top journals in finance 90-95% of the papers are rejected (i.e., the authors are not given a chance to respond to the referee report and resubmit their paper for re-review). I have never heard of a case where a paper was accepted without revision on the first submission to a (top) journal.

4. Research Proposal

The requirements for the research proposal are as follows:

A. Generate a research proposal in the field of corporate finance. The research proposal cannot be one that you are already working on with a faculty member, or one that you have done or plan to do in another course. The research proposal cannot be joint with another student in the class.
B. Conduct a thorough literature review.
C. Explain how your research idea contributes to the existing literature. This is the most important element of your research proposal.
D. Discuss research methods appropriate for pursuing your research idea. In particular, explain what type of modeling framework and/or statistical methods will be used to implement your research idea.
E. For empirical research, discuss data sources and testable hypotheses. For theoretical research, discuss likely results and why they might be interesting.
F. Partial or preliminary results will earn bonus points.

The research proposal is due Wednesday, December 7.

Readings

The following is a list of papers by topic area that forms the foundation for the course. I will assign articles for presentation at least one week in advance. We will only discuss a small fraction of the papers listed below.

1. Capital Structure

A. Agency Theory – Debt and Private Action


**B. Asymmetric Information – Private Information**


Myers, S. C., and N. S. Majluf, 1984, Corporate financing and investment decisions when firms have information that investors do not have, *Journal of Financial Economics* 13, 187-221.


**C. Taxes**


**D. Trade-Off Theory**


E. Dynamic Capital Structure


F. Financial Distress and Bankruptcy


**G. Timing**


**H. Product Markets**


I. Other Factors


2. Debt Structure: The Firm’s Mix of Private (Bank) and Public Debt


3. Debt Maturity


**4. Financial Contracting and Debt Contract Design**


5. Payout Policy


**6. Financing Frictions and Investment**


**7. Executive Compensation**


**8. Corporate Governance**


**9. Hedging and Corporate Risk Management**


**10. Corporate Liquidity (Cash Holdings)**


11. Diversification and Internal Capital Markets


### 12. Mergers, Acquisitions, and Restructuring


**13. Real Options**


**College and University Policies**

**Disability Services**

If you have a disability that affects your ability to do the work in this course, please contact the Office of Disability Services to obtain a Letter of Accommodation and provide it to the instructor. The office is 230 Fretwell and the phone number is 704-687-4355.

**Codes of Conduct**

All students are required to read and abide by the UNC Charlotte Code of Student Academic Integrity and the UNC Charlotte Code of Student Responsibility ([http://legal.uncc.edu/policies/up-407](http://legal.uncc.edu/policies/up-407)). Violations of the Codes will result in disciplinary action as provided in the Codes.

It is the student’s responsibility to be fully and accurately informed of University policies, including, but not limited to, rules regarding dropping and adding classes, graduation requirements, and student conduct. The Dean of Students Office is the authoritative source for these policies.

**Statement on Diversity**

The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.