BPHD 8230-090: Theory of Corporate Finance  
Fall Semester, 2018

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Class: Monday 5:30 pm – 8:15 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. The main format of the class is paper presentations and discussions. I will also lecture on specific topics when a broad overview and critical perspective is required for understanding current thinking on various issues.

Course Materials

1. Papers: See the list of topics/papers on the following pages.
2. Referee report papers: I will supply a group of papers for referee reports.

Grading

1. Presentations 25%  
2. Class Participation 25%  
3. Referee Reports 10%  
4. Paper Summaries 20%  
5. Research proposal 20%

1. Presentations

Each student will present several papers during the course. Typically, there will be two-to-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. The presentation should be approximately 30-45 minutes. 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 two 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 November 15 and the second referee report is due November 30. Students should send me their referee reports as an email attachment.

A referee report consists of two components: (1) a report to the author(s) of the paper and (2) a separate letter to the editor with your recommendation. I discuss (1) and (2) below.

(1) The report should start with 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. Typically, this opening paragraph(s) also discusses the potential contribution(s) (if any) of the paper to the literature. The remainder of the report should be a series of comments and suggestions. These comments and suggestions include specific comments on the paper’s methodology, results, and conclusions. A given comment can be highly detailed or a sentence or two. Furthermore, comments and suggestions almost always point out mistakes or inadequacies followed by concrete corrective steps or improvements. Comments and suggestions should be numbered. Finally, the report should never include your recommendation to the editor. This information should be communicated to the editor in a separate letter to the editor.

(2) The letter to the editor contains your recommendation (i.e., reject the paper or allow the author(s) to revise and resubmit the paper) followed by an explanation for your recommendation (i.e., the paper should be rejected because it make little contribution to the existing literature because the results in the paper can already be found in the literature).

4. Paper Summaries
Choose four papers from the list of papers in Appendix A and summarize the key results. The paper summaries are due September 15, September 30, October 15, and October 30. Summaries should be sent to me as an email attachment.

5. Research Proposal

The requirements for the research proposal are as follows:

1. The proposal must be on a topic in corporate finance. The proposed project can be joint with other Ph.D. students and/or faculty (co-authors do not have to be in the class). The maximum number of project members is three.
2. Conduct a literature review. Briefly discuss key papers that are related to your research topic.
3. Explain how your research idea contributes to the existing literature.
4. Discuss testable hypotheses.
5. Discuss research methods appropriate for testing your hypotheses. For example, if you plan to implement a difference-in-differences econometric methodology provide the specification and discuss the interpretation of the coefficient estimates.
6. Discuss data sources, key variables, and control variables.

The research proposal is due Monday, December 10. The research proposal should be sent to me as an email attachment.
Papers by Topic Area

We will discuss the following papers in class.

**Labor Characteristics and Corporate Decisions**


Lin, C., L. Wei, and N. Yang, 2018, Labor market immobility and incentive contract design, Working paper.


**Compensation**


**Banks and Corporate Finance**


**Cash**


**Mergers and Acquisitions**


Tournament Incentives


Hedging and Financial Flexibility


Bond Covenants and Debt Contract Design


Agency Costs


Corporate Governance


Real Options


**Credit Default Swaps**


**Dividends**


**Bankruptcy**


Appendix A

Papers for Paper Summaries


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.


Appendix B

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). 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.