BPHD 8230-001: Theory of Corporate Finance
Fall Semester, 2017

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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. 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 30%
2. Class Participation 15%
3. Referee Reports 10%
4. Paper Reviews 15%
5. Research Paper 30%

1. Presentations

Each student will present several papers during the course. Typically, 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. 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 October 31, 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 our 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 letter to the editor.

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

4. Paper Reviews
Choose three papers from the list of papers in Appendix A and write a review of each paper. Each review should contain the following elements: (1) What is the purpose of the paper, i.e., what does it do? (2) What research methods are used in the paper? (3) What are the key results; explain? The first paper review is due September 15, the second paper review is due September 30, and the third paper review is due October 15. Students should send me their paper reviews as an email attachment.

5. Research Paper

The requirements for the research paper are as follows:

0. The paper must be on a topic in corporate finance. The paper cannot be one that you are already doing with a faculty member, or one that you have done or plan to do in another course. The research paper can be joint with another student(s) in the class. The maximum number of students on a paper is three. Do not try to satisfy the paper requirement by submitting a paper that you wrote as a Masters student.
1. Conduct a thorough literature review.
2. Explain how your research idea contributes to the existing literature.
3. Discuss testable hypotheses.
4. Discuss research methods appropriate for testing your hypotheses.
5. Discuss data sources, variables, and descriptive statistics.
6. Discuss results.
7. Provide conclusions.

The paper is due Monday, December 11 by 5:00 pm. The paper can be sent to me as an email attachment.
Papers by Topic Area

We will discuss the following papers in class.

**Tournament Incentives**


**Corporate Governance**


**Stock Ownership Guidelines**


**Cost of Debt and Loan Contracting**


**Manager Fixed Effects**


**Human Capital and Finance**


**Hedging and Corporate Risk Management**


**Durable Assets**


Appendix A

Papers for Paper Reviews


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

Papers on Research in Economics and Finance


*American Economic Review Papers and Proceedings* (2017) recently published 8 papers on replication. The general conclusion of the included papers is summed up in the title of Chang and Li’s (2017) paper, “A pre-analysis plan to replicate sixty economics research papers that worked half of the time.”
Appendix C
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.