



BUSINESS SCHOOL
Te Kura Pakihi

COURSE OUTLINE

FINC402 **Advanced Corporate Finance**

Semester 1, 2024

Paper Description and Aims

The primary aim of the course is to provide students with an in-depth understanding of advanced issues in corporate finance. The general approach followed will include:

(i) Formal instruction: Detailed discussion of survey papers and/or seminal papers on several areas of corporate finance will constitute the primary mode of instruction in the first 5 weeks of the semester. This is expected to equip the students with adequate theoretical understanding of the major issues in these areas. This groundwork will then be used to understand the empirical findings in the papers for student presentations.

(ii) Student presentations: Students will present empirical papers from the list provided (The structure of student presentation will be ascertained upon knowledge of final enrolment). Every student is expected to read the papers before coming to the class. You should also have some critically thought-out questions/comments pertaining to the issues in the papers prescribed for that class and these questions will then form the basis for class discussion.

Learning Outcomes

Upon successful completion of this paper, you should be able to (i) Learn to critically evaluate and understand issues in corporate finance using oral and written expression; (ii) Develop expert knowledge in the field of corporate finance and how it relates to financial management; (iii) Learn and apply advanced level skills that support the ability to do independent research; (iv) Develop the capability to present and engage in debate about the ideas, conclusions and different real world applications relating to corporate finance topics.

Teaching Staff

Paper Coordinator and Lecturer

Name: Tom Stannard

Office: OBS 5.28

Email: tom.stannard@otago.ac.nz

Office Hours: Wednesday 10am-1pm

Course Delivery

Lecture Day/Time/Room:

Lecture Day	Time	Room
Monday	3pm-4:50pm	OBSG17
Wednesday	3pm-4:50pm	BURN3

The Wednesday class will consist of one hour of lecture/presentation followed by one hour of seminar. The seminar will be used to provide additional learning support to those in the class who do not have a strong finance background.

Course Calendar: The following set of readings will be discussed in class in sequence (as much as possible). Any change to the assigned readings will be announced in class. Students are expected to prepare for and attend all classes to gain full benefit from the course. These activities should be prepared for by reviewing information detailed on Blackboard and completing any assigned readings. Students unable to attend a lecture are expected to catch up on missed material. Unless stated otherwise, all aspects of the course are examinable. The following set of papers will be covered in class. There is a possibility that we might have to revise this list, but you will be informed about any changes so that such changes do not inconvenience you. Dates of submission of the research proposal/literature review reports will be notified in class.

Week 1 - Week 5

1. Coase, R., 1937, Nature of the Firm, *Economica* 4, 386-405.
2. Jensen M. C. and W. Meckling, 1976, Theory of the Firm: Managerial Behavior, Agency Costs and Capital Structure, *Journal of Financial Economics*, 3, 305-360.
3. Shleifer, A. and R. Vishny, 1997, A Survey of Corporate Governance, *Journal of Finance*, 52, 737-783.
4. Hermalin, B. and Weisbach, M.S., Boards of directors as an endogenously determined institution: a survey of the economic literature, *Economic Policy Review*, Federal Reserve Bank of New York, vol. 9(Apr), pages 7-26.
5. Morck, R., Wolfenzon, D. and Yeung, B., 2005. Corporate governance, economic entrenchment, and growth. *Journal of economic literature*, 43(3), pp.655-720
6. La Porta, R., Lopez-de-Silanes, F. and Shleifer, A., 2013. Law and finance after a decade of research. In *Handbook of the Economics of Finance* (Vol. 2, pp. 425-491). Elsevier.

7. Myers, S.C., 2003. Financing of corporations. In Handbook of the Economics of Finance (Vol. 1, pp. 215-253). Elsevier.
8. Frank, M.Z. and Goyal, V.K., 2008. Trade-off and pecking order theories of debt. Handbook of empirical corporate finance, pp.135-202.

Week 6 - Week 12

9. Barkalay, M. and Holderness, C., 1989. Private benefits of control of public corporation. Journal of Financial Economics, 25.
10. Dyck, A. and Zingales, L., 2004. Private benefits of control: An international comparison. Journal of Finance, 59(2), pp.537-600.
11. Yermack, D., 2006. Flights of fancy: Corporate jets, CEO perquisites, and inferior shareholder returns. Journal of Financial Economics, 80(1), pp.211-242.
12. Park, K., 2017. Earnings quality and short selling: Evidence from real earnings management in the United States. Journal of Business Finance & Accounting, 44(9-10), pp.1214-1240.
13. Henry, T.R. and Koski, J.L., 2010. Short selling around seasoned equity offerings. The Review of Financial Studies, 23(12), pp.4389-4418.
14. Massa, M., Zhang, B. and Zhang, H., 2015. The invisible hand of short selling: Does short selling discipline earnings management? The Review of Financial Studies, 28(6), pp.1701- 1736.
15. Stulz, R.M. and Williamson, R., 2003. Culture, openness, and finance. Journal of Financial Economics, 70(3), pp.313-349.
16. Lel Ugur, and Miller Darius, 2019. The labor market for directors and externalities in corporate governance: Evidence from the international labor market. Journal of Accounting and Economics, 68(1), 101-222.
17. Liang Hao., and Renneboog Luc, 2017. On the foundations of corporate social responsibility. The Journal of Finance, 72(2), 853-910.
18. Bebchuk, L.A. and Cohen, A., 2005. The costs of entrenched boards. Journal of Financial Economics, 78(2), pp.409-433.
19. Cohen, A. and Wang, C.C., 2013. How do staggered boards affect shareholder value? Evidence from a natural experiment. Journal of Financial Economics, 110(3), pp.627-641.

20. Cremers, K.M., Litov, L.P. and Sepe, S.M., 2017. Staggered boards and long-term firm value, revisited. *Journal of Financial Economics*, 126(2), pp.422-444.
21. Weber, D.P. and Yang, Y.S., 2020. The debt-equity choice when regulatory thresholds are based on equity values: Evidence from SOX 404. *The Accounting Review*, 95(2), pp.339-364.
22. Kim, H., 2020. How does labor market size affect firm capital structure? Evidence from large plant openings. *Journal of Financial Economics*, 2020.
23. Petacchi, R., 2015. Information asymmetry and capital structure: Evidence from regulation FD. *Journal of Accounting and Economics*, 59(2-3), pp.143-162.
24. Lins, K. V., Servaes, H., and Tamayo, A., 2017. Social capital, trust, and firm performance: The value of corporate social responsibility during the financial crisis. *The Journal of Finance*, 72(4), 1785-1824.
25. Hoi, Chun Keung Stan, Qiang Wu, and Hao Zhang, 2019. Does social capital mitigate agency problems? Evidence from Chief Executive Officer (CEO) compensation. *Journal of Financial Economics*, 133(2), 498-519.
26. Iftekhhar Hasan, Chun-Keung (Stan) Hoi, Qiang Wu, and Hao Zhang, 2017. Does social capital matter in corporate decisions? Evidence from corporate tax avoidance. *Journal of Accounting Research*, 55(3), 629-668.
27. Yunhao Dai, P. Raghavendra Rau, Aris Stouraitis, and Weiqiang Tan, 2020. An ill wind? Terrorist attacks and CEO compensation. *Journal of Financial Economics*, 135(2), 379- 398.
28. Qin, B., & Yang, L., 2022. CSR contracting and performance-induced CEO turnover. *Journal of Corporate Finance*, 73, p.102173.
29. Bharath, S.T. and Shumway, T., 2008. Forecasting default with the Merton distance to default model. *The Review of Financial Studies*, 21(3), pp.1339-1369.
30. Hartzmark, S.M. and Shue, K., 2023. Counterproductive sustainable investing: The impact elasticity of brown and green firms. *Available at SSRN*.
31. Denis, Diane K., Torsten Jochem, and Anjana Rajamani, 2020. Shareholder governance and CEO Compensation: The peer effects of say on pay. *The Review of Financial Studies*, 33(7), 3130-3173.
32. Armstrong, Christopher. S, Glaeser Stephen, Huang Sterling, and Taylor Daniel. J., 2019. The economics of managerial taxes and corporate risk-taking. *The Accounting Review*, 94(1), 1- 24.

33. Boone, Audra, and Joshua White, 2015. The effect of institutional ownership on firm transparency and information production. *Journal of Financial Economics*, 117, 508-533.
34. Crane, Alan, Sebastien Michenaud, and James Weston, 2016. The effect of institutional ownership on payout policy: Evidence from index thresholds. *Review of Financial Studies*, 29, 1377-1408.

Course Learning Resources

Text Book: There is no prescribed textbook. We will focus on the papers in the reading list. Additional reading materials might also be uploaded onto the Blackboard.

Blackboard

Blackboard <https://blackboard.otago.ac.nz/> provides you with access to course materials, class notices, and resources. All readings assigned for this class along with notes for papers presented by me will be posted on the Blackboard. In addition, Blackboard may also be used to email the class so it is important that you check your student email and Blackboard regularly.

Assessment

All material presented is examinable (except where stated otherwise) by assignments and the final examination. All-important assessment information such as due dates and times, content, guidelines and so on will be discussed at lectures and, where appropriate, detailed on Blackboard. Students are responsible for ensuring that they are aware of this information, keeping track of their own progress, and catching up on any missed classes.

Assessment	% of the final grade	Requirements to pass this paper
Presentations	20%	Required to present the assigned papers.
Research proposal/literature review	20%	
Class participation	10%	
Final Exam	50%	Hurdle rate: 45%

Course Requirements

You will have to score a minimum of 45% on the final exam to pass this course. In order to pass this course, you are required to present the paper assigned to you.

Internal assessment:

- (i) Research proposal/literature review: You can choose one of two different options. Dates of submission of the research proposal/literature review reports will be notified in class.

Option 1: A research proposal that will contain the following sections: an introduction, literature review, hypothesis development, data and methodology and expected results and how they add to the literature. Remember, you are not required to either collect any data or perform any analysis. However, the project should be doable i.e. the data source should be credible, and the research question should be original and interesting. I suggest you visit www.ssrn.com and either look for a potential topic or ensure your research idea is not the subject of another study.

Option 2: Pick an interesting topic either from the papers we discuss in the class, or an issue connected with corporate finance but not necessarily touched upon in the class and do a review of the literature for the most recent 10-year period. However, there could be some seminal papers that might fall outside of this date range which should also be included in your review.

Clearly, Option 1 requires higher level of creativity. If you take Option 1, your maximum possible mark for this assignment is 100 (i.e., A+). If you take Option 2, the maximum possible mark is 84 (i.e., A-).

- (ii) Presentations: Depending on the class size, the class may be split into groups and each group will have to present assigned papers starting from Week 6. Given the current numbers it is most likely going to be individual presentations but that may change by the end of the first week of lectures. Even if we finally end up having group presentations, assessment of presentations will be based on individual performance so every member of the group will be responsible for their own performance. Presentations should target approximately 30 minutes and should include detail on the paper as well as a high-level takeaway and what the real corporate world may be able to learn from the work. As if presenting to a board of directors. Additionally, students should include what further work could result from the paper reviewed.
- (iii) Participation: Class participation 2.5% will be awarded per thoughtful question asked or answered during class presentations.

Quality Assurance

At the Otago Business School we monitor the quality of student learning and learning experience. Your assessed work may be used for assurance of learning processes, such as evaluating the level of achievement of learning outcomes, with the aim of improving the quality of our programs. All material used for quality assurance purposes will be treated as confidential and the outcome will not affect your grades.

Academic Integrity

Academic integrity means being honest in your studying and assessments. It is the basis for ethical decision-making and behaviour in an academic context. Academic integrity is informed by the values of honesty, trust, responsibility, fairness, respect and courage. Students are expected to be aware of, and act in accordance with, the University's Academic Integrity Policy.

Academic Misconduct, such as plagiarism or cheating, is a breach of Academic Integrity and is taken very seriously by the University. Types of misconduct include plagiarism, copying, unauthorised collaboration, taking unauthorised material into a test or exam, impersonation, and assisting someone else's misconduct. A more extensive list of the types of academic misconduct and associated processes and penalties is available in the University's Student Academic Misconduct Procedures.

It is your responsibility to be aware of and use acceptable academic practices when completing your assessments. To access the information in the Academic Integrity Policy and learn more, please visit the University's Academic Integrity website at www.otago.ac.nz/study/academicintegrity or ask at the Student Learning Centre or Library. If you have any questions, ask your lecturer.

Further information about the Academic Integrity Policy, the Student Academic Misconduct Procedures and the Academic Integrity can be found through the links below. The Academic Integrity website in particular has a number of useful links and suggestions as to where students can get help with referencing issues.

<http://www.otago.ac.nz/administration/policies/otago116838.html>

<http://www.otago.ac.nz/administration/policies/otago116850.html>

www.otago.ac.nz/study/academicintegrity

Student Charter

<http://www.otago.ac.nz/about/otago005275.html>

Guidelines for Learning at Otago

<http://hedc.otago.ac.nz/hedc/wp-content/uploads/2012/12/Guidelines-for-Learning.pdf>

<http://hedc.otago.ac.nz/hedc/learning/>

Student Learning Centre

The Student Learning Centre, which is part of the Higher Education Development Centre, provides learning support, free of charge, to ALL enrolled students. Their services include:

- a workshop programme designed to help students to improve their learning strategies and their generic skills;
- individual assistance with learning issues;
- on-line study skills advice;

- a student leadership programme;
- a student-led peer support programme for students of all ages and backgrounds.
- conversational English groups for students from a non-English speaking background

The Centre also provides two very helpful study guides, “Guidelines for Writing and Editing” and “Writing University Assignments” and these are available on the SLC website. <http://slc.otago.ac.nz/>

Library Support

The Library website <http://www.otago.ac.nz/library> provides access to resources and services, including group room bookings, library hours and locations, past exam papers, subject guides, article databases and more.

If you need assistance either check out the self-help guides <http://otago.libguides.com/selfhelp>, or ask Library staff at the ground floor service desks, or email ask.library@otago.ac.nz.

Pacific Student Support Facilitators

Malo e lelei

Falaviena (Viena) Faiva works part-time in the Dean’s Office at the Otago Business School, Division of Commerce. Viena is of Tongan descent and one of our two Pacific Student Support Facilitators. She responsible for all second-year Pacific students within the division.

Deans Office, Otago Business School
Division of Commerce
Email: viena.faiva@otago.ac.nz
Cell Phone: 021 279 0914

Bula Vinaka

Jekope Ramala Maiono also works part time in the Dean’s Office at the Otago Business School, Division of Commerce.

Maiono is of Fijian descent and our other Pacific Student Support Facilitator. He is responsible for all first-year Pacific students in the division.

Deans Office, Otago Business School
Division of Commerce
Email: jekope.maiono@otago.ac.nz
Cell Phone: 021 279 0871

Kaiāwhina Māori | Māori student support

Ben Sommerville is the Kaiāwhina Māori (Māori student support) for Te Kura Pākihi | Otago Business School. He is able to answer any questions you may have about studying here at the University of Otago. He can provide information about scholarships, campus services, pastoral and financial care. Ben is also here to support those students who are studying away from their whānau, hapū and iwi, to ensure they feel safe and supported. He has a passion for the development of Rangatahi and understands the struggles that can come with academic life.

Tel +64 27 513 6991

Email ben.sommerville@otago.ac.nz

Disability Information and Support

Students are encouraged to seek support if they are having difficulty with their studies due to disability, temporary or permanent impairment, injury or chronic illness. It is important to seek help early, through one of the contacts below: Website:

<http://www.otago.ac.nz/disabilities> 65 Albany St, West Lane, ISB, Student Services

Tel: +64 3 479 8235

Email: disabilities@otago.ac.nz

Student Feedback

We encourage your feedback. This can be in the form of contacting staff, participating in course evaluation surveys and communicating with class representatives. Continual improvements will be made to this course based in part on student feedback. Recent changes to this course as a result of constructive feedback include improvements to the mapping of cases with lectures, reducing the student's workload, improvements to assessment transparency and to the timing of the release of assignment material.

Class Representatives

Class representatives are an important means of communication between students and staff. Contact details for your student class representatives can be found on the Blackboard page for this paper.

Concerns about the Course

We hope you will feel comfortable coming to talk to us if you have a concern about the course. The Course Co-ordinator will be happy to discuss any concerns you may have. Alternatively, you can report your concerns to the Class Representative who will follow up with departmental staff. If, after making approaches via these channels, you do not feel that your concerns have been addressed, there are University channels that

may aid resolution. For further advice or more information on these, contact the departmental administrator or head of department.

Disclaimer

While every effort is made to ensure that the information contained in this document is accurate, it is subject to change. Changes will be notified in class and via Blackboard. Students are encouraged to check Blackboard regularly. It is the student's responsibility to be informed.