

# Doctoral Seminar in Corporate Finance

Spring 2011  
Tuesday 9,10, 11  
208 Mingde Building

## **Instructor Information:**

Zhao Rong  
Office: 503  
Phone: 028-87099352  
E-mail: zhaorong@swufe.edu.cn  
Office Hours: by appointment  
Website: N/A

## **Course Description:**

This course will cover but not restrict to the following three areas of corporate finance: (1) capital structure and corporate governance; (2) mergers and acquisitions; and (3) dividends. The major purpose of this course is to give students an appreciation of the research process. A research proposal is required for each student. A term paper is strongly recommended. Each student is also required to present a number of articles during the semester.

## **Evaluation of Performance:**

**Grading:** Final exam: 40%; Research proposal: 30%; Presentation & Article Review: 30%

**Article Review:** Each student is required to summarize and provide a critical review of each article. The length of each article review is two pages.

**Research Proposal:** The research proposal should be related to corporate finance. Quantitative research is preferable. The length of the proposal should not exceed 8 pages (double spaced; 12 point font) including tables and figures.

## **Favorite Websites:**

American Finance Association: [www.afajof.org](http://www.afajof.org)  
Financial Management Association: [www.fma.org](http://www.fma.org)  
Wall Street Journal: [www.wsj.com](http://www.wsj.com); Chinese.[wsj.com](http://www.wsj.com)

**Finance Databases:** COMPUSTAT, CRSP, WRDS, Thomson Financial/SDC, etc.

**Finance Softwares:** SAS, STATA, Matlab, etc.

## Reading List:

### Capital Structure

1. Harris, M., and A. Raviv. "The Theory of Capital Structure." *Journal of Finance* (March 1991): 297-368
2. Jensen, M., and W. Meckling. "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure." *Journal of Financial Economics* 3 (October 1976): 305-360 [Background Review]
3. Myers, S. C., and N. Majluf. "Corporate Financing and Investment Decisions when Firms Have Information that Investors Do Not Have." *Journal of Financial Economics* (June 1984): 187-221 [Background Review]
4. Baker, M., and J. Wurgler. "Market Timing and Capital Structure." *Journal of Finance* 57 (2002): 1-32
5. Shleifer, A., R. Vishny. "A Survey of Corporate Governance." *Journal of Finance* 52 (1997): 737-783
6. La Porta, R., F. Lopez-de-Silanes, A. Shleifer, R. Vishny. "Investor Protection and Corporate Governance." *Journal of Financial Economics* 58 (2000): 3-27
7. Mitton, Todd. "A Cross-firm Analysis of the Impact of Corporate Governance on the East Asian Financial Crisis." *Journal of Financial Economics* 64 (2002): 215-241
8. Lemmon, L. M., K. Lins. "Ownership Structure, Corporate Governance, and Firm Value: Evidence from the East Asian Financial Crisis." *Journal of Finance* (August 2003): 1445-1468

### Mergers & Acquisitions

9. Martin, K., and J. J. McConnell. "Corporate Performance, Corporate takeovers, and Management Turnover." *Journal of Finance* (June 1991): 671-687
10. Agarwal, A., J. Jaffe, and G. Mandelker. "The Post-Merger Performance of Acquiring Firms: a Re-examination of an Anomaly." *Journal of Finance* (Sept. 1992): 1605-1621
11. Shleifer, A., and R. Vishny. "Stock Market Driven Acquisitions." *Journal of Financial Economics* 70 (2003): 295-311

12. Hovakimian, A., and I. Hutton. "Merger-motivated IPOs." Working papers. Baruch College and Florida State University. <http://ssrn.com/abstract=1145535>

### Dividend Policy

13. Lintner, J. "Distribution of Incomes of Corporations among Dividends, Retained Earnings, and Taxes." *American Economic Review*, 46 no. 2 (1956): 97-113
14. Miller, M., and F. Modigliani. "Dividend Policy, Growth and the Valuation of Shares." *Journal of Business* 34 no. 4 (1961): 411-433
15. Miller, M., and K. Rock, "Dividend Policy under Asymmetric Information." *Journal of Finance* 40 (1985): 1031-1051
16. Ambarish, R., K. John, and J. Williams. "Efficient Signaling with Dividends and Investments." *Journal of Finance* 42 (1987): 321-344
17. Pettit, R., "Dividend Announcements, Security Performance, and Capital Market Efficiency." *Journal of Finance* 27 (1972): 993-1008
18. Michaely, R., R. Thaler, and K. Womack. "Price Reactions to Dividend Initiations and Omissions: Overreaction or Drift?" *Journal of Finance* 50 (1995): 573-608
19. Lang, L., and R. Litzenberger. "Dividend Announcements: Cash Flow Signaling vs. Free Cash Flow Hypothesis." *Journal of Financial Economics* 24 (1989): 137-154
20. Michaely, R. "Ex-dividend Day Stock Price Behavior: The Case of the 1986 Tax Reform Act." *Journal of Finance* 46 (1991): 845-860
21. Bajaj, M., and A. Vigh. "Dividend Clienteles and the Information Content of Dividend Changes." *Journal of Financial Economics* 26 (1990), 193-219
22. Litzenberger, R., and K. Ramaswamy. "Dividends, Short Selling Restrictions, Tax-Induced Investor Clientele and Market Equilibrium." *Journal of Finance* 35 (1980): 469-482
23. Ikenburry, D., J. Lakonishok, and T. Vermaelen. "Market Underreaction to Open Market Share Repurchases." *Journal of Financial Economics* (Oct.-Nov. 1995): 181-208

### R&D and Related Information Asymmetry

24. Kyle, Albert. "Continuous auctions and insider trading." *Econometrica* 6 (1985): 1315-1335.

25. Aboody, D., and B. Lev. "Information Asymmetry, R&D, and Insider Gains." *Journal of Finance* 55 (2000): 2747-66.
26. Lev, Baruch, and Theodore Sougiannis. "Penetrating the Book-to-Market Black Box: The R&D Effect." *Journal of Business Finance and Accounting* 26 (1999): 419-49.
27. Hall, Bronwyn H., Adam Jaffe, and Manuel Trajtenberg. "Market Value and Patent Citations." *Rand Journal of Economics* 36 (2005): 16-38.

#### IPO Underpricing

28. Ljungqvist, Alexander. "IPO Underpricing." *Handbook of Empirical Finance* (2007): 375-422.

#### Internal Capital markets

29. Maksimovic, Vojislav, and Gordon Phillips. "Conglomerate Firms and Internal Capital markets." *Handbook of Empirical Finance* (2007): 423-479.

#### Executive Compensation and Incentives

30. Aggarwal, Rajesh K. "Executive Compensation and Incentives." *Handbook of Empirical Finance* (2007): 497-538.

#### Related Literature in Chinese