Korea Advanced Institute of Science and Technology
Business School

BA 732E

Ph. D. Seminar in Empirical Corporate Finance
Spring 2014
Monday & Wednesday from 1:00 p.m. - 2:20 p.m.
(Supex Hall 104)
Office Hours: Wednesday 2:30-3:20 p.m. and by appointments
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This course is for Ph.D. students who have taken at least one basic corporate finance theory course and one econometrics course. During the first six weeks, the course covers some key methodological issues that need to be understood to conduct empirical corporate finance research. For the rest of the semester, we cover studies in various areas of Corporate Finance. Due to time constraints, we cannot cover all areas in Corporate Finance and therefore focus only on some key papers in each major area. By taking this course, students should be prepared to independently explore any empirical Corporate Finance areas that he/she might be interested in.

Required Materials:

1. Course materials available at the course web site.

Recommended Materials:

1. Wooldridge, Jeffrey M., *Econometric Analysis of Cross Section and Panel Data*, MIT Press, 2002.
2. Campbell, John Y., Andrew W. Lo and A. Craig MacKinlay, T*he Econometrics of Financial Markets*, Princeton University Press, 1997

Grading:

There will be two exams (25% each), 2 mock referee's reports and a number of presentations (15%), three assignments (15%) and a term paper (20%). The mock referee's reports should be written as if you were reviewing the paper for potential publication in a major academic finance journal. There are two papers on the list marked as "**[Mock #]**". Each report should be approximately 2-5 double-spaced pages in length, and should offer constructive criticisms. Since you can be asked to present your reports in the class, please be prepared to present your report. In addition to the reports, you are required to present papers in the class. You can pick papers from the reading list (marked as "**[Pre]**") and notify me which ones you would like to present. The exact number of presentations will depend on the number of students registered for the class. Three assignments will be given to ask you to work on some empirical analyses and due dates are indicated below. The mid-term exam will be given on **March 26** (Wednesday) and the final exam will be given on **May 21** (Wednesday), 2014. The final exam is semi-comprehensive in the sense that you are responsible for the materials covered in the midterm exam (i.e., you should make sure that you know answers to all questioned appeared in the midterm exam). The term paper should be either an original work (including an extension of existing models) or a replication of some empirical studies using updated data. You have to notify me of the topic of your term paper by **April 2**, 2014 and the due date is **May 11**, 2014. You have to present your term paper during the last week of the semester before the final exam (May 12 & 14).

Presentation

For the presentation of the papers during the first six weeks when the course focuses on the methodologies, you may focus on presenting the relevant parts of the paper, which deal with the methodologies covered during the week. You have to be explicit about why a certain methodology was used to (i.e., you have to explain what problem the methodology is trying to deal with). For the rest, you may focus on the theories & hypotheses being tested in the paper, which are related to the main topic of the week, together with main empirical findings and conclusions regarding those hypotheses.

Course Outlines

Week	Topic	Note
Weeks 1-2	Event Studies: Short-term and long-term performance measures	2/12 (Ass 1)
Week 3	Discrete choice models and endogeneity	
Week 4	How to deal with endogeneity?	2/26 (Ass 2)
Week 5	Panel data	
Week 6	Self-selection problems and truncated models	3/12 (Ass 3)
Weeks 7	Capital structures	
Week 8	Mid-term exam (3/26) No Class on 3/24	3/24(No class) 3/26 (Exam)
Week 9	Venture capital, IPOs and SEOs	4/2 (Term Paper Topic)
Week 10	Corporate governance & MA	4/9 (Mock R 1)
Week 11	Dividend and share repurchases	
Week 12	Convertible bonds options	4/23 (Mock R 2)

Week 13	Real options and employee stock	
Week 14	Corporate risk management	No class on 5/5 (Holiday)
Week 15	Term paper presentations	Term Paper Due on 5/11
Week 16	Final exam (5/21)	5/19 (No class) 5/21 (Final exam)

List of papers

I. Methodologies

I.A Event Studies: Short-term and long-term performance measures (Weeks 1-2)

Required:

Brown, Stephen J., and Jerold B. Warner, 1985, Using daily stock returns: The case of event studies, Journal of Financial Economics 14, 3-31.

Barber, Brad, and John Lyon, 1997, Detecting long-run abnormal stock returns: The empirical power and specification of test statistics, *Journal of Financial Economics* 43, 341-372.

Loughran, Tim, and Jay Ritter, 1995, The new issues puzzle, *Journal of Finance* 50, 23-51.

Lyon, John D., Brad M. Barber, and Chih-Ling Tsai, 1999, Improved methods for tests for long run abnormal stock returns, *Journal of Finance* 54, 165-201

Mitchell, Mark, and Erik Stafford, 2000, Managerial decisions and long-term stock price performance, *Journal of Business* 73, 287-329.

[Pre] Bessembinder, Hendrik, and Feng Zhang, 2013, Firm characteristics and long-run stock returns after corporate events, *Journal of Financial Economics* 109, 83-102. (matching firms)

Recommended:

Brav, Alon, 2000, Inferences in long-horizon event studies: A Bayesian approach with applications to initial public offerings, *Journal of Finance*.

Brav, Alon, and Paul A. Gompers, 1997, Myth or reality? The long-run underperformance of initial public offerings: Evidence from venture capital and nonventure capital-backed companies, *Journal of Finance* 52, 1791-1822.

Brown, Stephen J., and Jerold B. Warner, 1980, Measuring security price performance, *Journal of Financial Economics* 8, 205-258.

Campbell, John Y., Andrew W. Lo and A. Craig MacKinlay, 1997, Event-Study Analysis, Chapter 4 in "The Econometrics of Financial Markets", Princeton University Press, 149-180.

Eckbo, Masulis and Norli, 2000, Seasoned equity offerings: resolution of the "new issues puzzle", *Journal of Financial Economics* 56, 251-291**.**

Eckbo, B. Espen, Vojislav Maksimovic, and Joseph Williams, 1990, Consistent estimation of cross-sectional models in event studies, *Review of Financial Studies* 3, 343-366.

Fama, Eugene F., 1998, Market efficiency, long-term returns, and behavioral finance, *Journal of Financial Economics* 49, 283-306.

Fama, Eugene F., and Kenneth R. French, 1993, Common risk factors in the returns of stocks and bonds, *Journal of Financial Economics* 33, 3-55.

Kothari, S.P., and Jerold Warner, 1997, Measuring long horizon security price performance, *Journal of Financial Economics* 43, 301-339.

Lee, Inmoo, 1997, Do firms knowingly sell overvalued equity? *Journal of Finance* 52, 1439-1466.

Loughran, Tim, and Jay Ritter, 2000, Uniformly least powerful tests of market efficiency, *Journal of Financial Economics* 55, 361-390.

MacKinlay, A. Craig, 1997, Event studies in economics and finance, *Journal of Economic Literature* 35, 13-39.

Prabhala, N., 1997, Conditional methods in event studies and an equilibrium justification for standard event-study procedures, *Review of Financial Studies* 10, 1-38.

I.B Discrete Models and Endogeneity (Week 3)

Required:

Wooldridge, Jeffrey M., 2002, Econometric Analysis of Cross-Section and Panel Data, MIT

Press: Cambridge, MA. Chapters 15 & 5

Roberts, Michael R. and Amir Sufi, 2009, Renegotiation of financial contracts: Evidence from private credit agreements, *Journal of Financial Economics* 93, 159-184. (probit model)

Roberts, Michael R. and Toni Whited, 2012, Endogeneity in Empirical Corporate Finance, forthcoming Handbook of the Economics of Finance vol. 2., ed. George Constantinides, Rene Stulz, and Milton Harris, Elsevier, Amsterdam

[Pre] Kadyrzhanova, Dalida and Matthew Rhodes-Kropf, 2011, Concentrating on governance, *Journal of Finance* 66, 1649-1685. (Probit, marginal effects)

Recommended:

Baker, M., and S. Savasoglu, 2002, "Limited Arbitrage in Mergers and Acquisitions", *Journal of Financial Economics* 64, 91–15 (Probit)

Bennedsen, M., K Nielsen, F. Perez-Gonzalez, and D. Wolfenzon, 2007, Inside the family firm: The role of families in succession decisions and performance, *Quarterly Journal of Economics* 122, 647-691. (Instrumental variable)

Benson, David, and Rosemarie Ziedonis, 2010, Corporate venture capital and the returns to acquiring portfolio companies, *Journal of Financial Economics* 98, 478-499. (Probit)

Cornelli, Francesca, Zbigniew Kominek, and Alexander Ljungqvist, 2013, Monitoring managers: Does it matter?, *Journal of Finance* 68, 431-481. (Probit, endogeneity)

Habib, Michael, and Alexander Ljungqvist, 2001, Underpricing and entrepreneurial wealth losses in IPOs: Theory and evidence, *Review of Financial Studies* 14, 433-458. (Probit, 2SLS)

Sorensen, Morten, 2007, How smart is smart money? A two-sided matching model of venture capital, *Journal of Finance* 62, 2725-2762. (Probit, endogeneity)

I.C How to Deal with Endogeneity? (Week 4)

Required:

Wooldridge, Jeffrey M., 2002, Econometric Analysis of Cross-Section and Panel Data, MIT Press: Cambridge, MA. Chapters 5.

Roberts, Michael R. and Toni Whited, 2012, Endogeneity in Empirical Corporate Finance, forthcoming Handbook of the Economics of Finance vol. 2., ed. George Constantinides, Rene Stulz, and Milton Harris, Elsevier, Amsterdam

Coles, Jeffrey, Michael Lemmon and Felix Meschke, 2012, Structural models and endogeneity in corporate finance: the link between managerial ownership and corporate performance, *Journal of Financial Economics* 103, 149-168.

[Pre] Knyazeva, Anzhela, Diana Knyazeva, and Ronald W. Masulis, 2013, The supply of corporate directors and board independence, *Review of Financial Studies* 26, 1561-1605. (2SLS, Hasman test)

Recommended:

Bena, Jan and Kai Li, 2013, Corporate innovations and mergers and acquisitions, *Journal of Finance*, forthcoming. (Diff-in-diffs estimation)

Chava, Sudheer and Michael Roberts, 2008, How does financing impact investment? The role of debt covenant violations, *Journal of Finance* 63, 2085-2121. (RDD)

Ljungqvist, Alexander, and William J. Wilhelm, Jr., 2003, IPO Pricing in the Dot-com Bubble, *Journal of Finance* 58, 723-752. [Focus on the 2SLS regressions in Table VI.]

Perez-Gonzalez, Francisco and Hayong Yun, 2013, Risk management and firm value: Evidence from weather derivatives, *Journal of Finance* 68, 2143-2176 (2SLS)

Rauh, Joshua D., 2006, Investment and financing constraints: Evidence from the funding of corporate pension plans, *Journal of Finance* 61, 33–71. (RDD)

I.D Panel Data (Week 5)

Required:

Wooldridge, Jeffrey M., 2002, Econometric Analysis of Cross-Section and Panel Data, MIT Press: Cambridge, MA. Chapters 10

Huang, Rongbing and Jay R. Ritter, 2009, Testing Theories of Capital Structure and Estimating the Speed of Adjustment," *Journal of Financial and Quantitative Analysis* 44, 237-271. (Focus on Section V)

Peterson, Mitchell, 2009, Estimating Standard Errors in Finance Panel Data Sets: Comparing Approaches, *Review of Financial Studies* 22, 435-480.

Thompson, Samuel, 2010, Simple formulas for standard errors that cluster by both firm and time, *Journal of Financial Economics* 99, 1-10.

[Pre] Lemmon, Michael, Michael R. Roberts, and Jaime F. Zender, 2008, Back to the beginning: Persistence and the cross-section of corporate capital structure, *Journal of Finance* 63, 1575-1608 (fixed effects vs. pooled OLS, system GMM, clustered standard error estimates)

Recommended:

Antoniou, Antonios, Yilmaz Guney and Krishna Paudyal, 2008, The determinants of capital structure: Capital market-oriented versus bank-oriented institutions, *The Journal of Financial and Quantitative Analysis* 43, 59-92. (Two-step system GMM)

Bebchuk, Lucian, Yaniv Grinstein and Urs Peyer, 2010, Lucky CEOs and lucky directors, *Journal of Finance* 65, 2363-2401 (fixed effects, clustered standard errors)

Blundell, Richard, and Stephen Bond, 1998, Initial conditions and moment restrictions in dynamic panel data models, *Journal of Econometrics* 87, 115–143. (System GMM)

Brockman, Paul, Xiumin Martin and Emre Unlu, 2010, Executive compensation and the maturity structure of corporate debt, *Journal of Finance* 65, 1123-1161. (fixed effects)

Duchin, Ran, 2010, Cash holdings and corporate diversification, *Journal of Finance* 65, 955-992. (fixed effects, clustered standard errors).

Flannery, Mark, and Kasturi Rangan, 2006, Partial Adjustment Towards Target Capital Structures, *Journal of Financial Economics* 79, 469–506 [Fixed effects, FM: potential problem of using mean differencing method for the data with a short times-series]

I.E Truncated Models and Self-Selection Problems (Week 6)

Required:

Wooldridge, Jeffrey M., 2002, Econometric Analysis of Cross-Section and Panel Data, MIT Press:Cambridge, MA. Chapters 16 & 18

Li, K., and N.R. Prabhala, 2007, "Self-Selection Models in Corporate Finance," Handbook of Corporate Finance: Empirical Corporate Finance Vol. I, ed. B. E. Eckbo, in the North Holland Handbooks in Finance, Elsevier Science B.V., Chapter 2, 37-86.

Campa, Jose Manuel and Simi Keida, 2002, Explaining the diversification discount, *Journal of Finance* 57, 1731-1762.

Jiang, Wei, Kai Li, and Wei Wang, 2012, Hedge funds and chapter 11, *Journal of Finance* 67, 513-559.

[Pre] Ross, David G., 2010, The "Dominant Bank Effect:" How high lender reputation affects the information content and terms of bank loans, *Review of Financial Studies* 23, 2730-2756 (endogeneity of matching between lender and borrower, simultaneously estimated two-step treatment effects estimation) .

Recommended:

Bris, A., Zhu, N., Welch, I., 2006. The cost of bankruptcy: Chapter 7 liquidation versus Chapter 11 reorganization, *Journal of Finance* 61, 1253-1303. (Heckman self-selection)

Colak, Gonul and Toni M. Whited, 2007, Spin-offs, Divestitures, and Conglomerate Investment, *Review of Financial Studies* 20, 557-595 (propensity score).

Dunbar, C. G., 1995, The use of warrants as underwriter compensation in initial public offerings. *Journal of Financial Economics* 38, 59-78 (The Roy model)

Fang, L.H., 2005, Investment bank reputation and the price and quality of underwriting services, *Journal of Finance* 60, 2729-2761 (Switching regression).

Graham, John R., "How Big Are the Tax Benefits of Debt?" *Journal of Finance* (October 2000), Vol. 55, No. 5, pp. 1901-1941. (Tobit)

Kayhan, Ayla, and Sheridan Titman, 2007, Firms' Histories and Their Capital Structures, *Journal of Financial Economics* 83, 1-32. (Tobit in Table B.1)

Li, X., and X. Zhao, 2006, Is there an SEO puzzle? *Journal of Empirical Finance* 13, 351-370 (Propensity score).

Seru, Amit, 2013, Firm Boundaries Matter: Evidence from Conglomerates and R&D Activity (earlier titled "Do Conglomerates Stifle Innovation?"), *Journal of Financial Economics*, Forthcoming. (selection bias, treatment effects, difference-in-differences)

Villalonga, B. and R. Amit, 2006, How do family ownership, control, and management affect firm value? *Journal of Financial Economics* 80, 385-417 (Heckman self-selection model).

II. Empirical Corporate Finance Researches

II.A Capital Structures (Weeks 7)

Required:

Baker, Malcolm, and Jeffrey Wurgler, 2002, “Market Timing and Capital Structure” *Journal of Finance* 57, No. 1, pp. 1-32.

Chevalier, Judith, 1995, Do LBO supermarkets charge more? An empirical analysis of the effects of LBOs on supermarket pricing, *Journal of Finance* 50, 1095-1112.

Flannery, Mark, and Kasturi Rangan, 2006, Partial Adjustment Towards Target Capital Structures, *Journal of Financial Economics* 79, 469–506

Frank, Murray and Vidhan Goyal, 2003, Testing the pecking order theory of capital structure, *Journal of Financial Economics* 67, 217-248.

[Pre] Leary, Mark and Michael Roberts, 2010, The Pecking Order, Debt Capacity, and Information Asymmetry,"*Journal of Financial Economics* 95, 332-355.

Recommended:

Booth, L., V. Aivazian, A. Demirguc-Kunt, and V. Maksimovic, “Capital Structures in Developing Countries,” *Journal of Finance* (Feb. 2001) Vol. 56, No. 1, pp. 87-130.

Custodio, Claudia, Miguel A. Ferreira, and Luis Laureano, 2013, Why are US firms using more short-term debt?, *Journal of Financial Economics*108, 182-212.

Fama, Eugene F., and Kenneth R. French, 2002, Testing trade-off and pecking order predictions about dividends and debt, *Review of Financial Studies* 15, 1-34.

Graham, John R., and A L. Tucker, 2006, Tax shelters and corporate debt policy, *Journal of Financial Economics* 81, 563–594

Hortacsu, Ali, Gregor Matvos, Chad Syverson and Sriram Venkataraman, 2013, Indirect costs of financial distress in durable goods industries: The case of auto manufacturers, *Review of Financial Studies* 26, 1248-1290.

Hovakimian, A., A. Kayhan, and S. Titman, 2012, Are corporate default probabilities consistent with the static trade-off theory? *Review of Financial Studies* 25, 315-340.

Jun, Nengjiu, Robert Parrino, Allen Poteshman and Michael Weisbach, 2005, Horses and rabbits? Trade-off theory and optimal capital structure, *Journal of Financial and Quantitative Analysis* 40, 259-281.

Leary, M, and M. Roberts, 2005, Do firms rebalance their capital structures? *Journal of Finance* 60, 2575-2619.

Lemmon, Michael and Jaime Zender, 2010, Debt capacity and tests of capital structure theories, *Journal of Financial and Quantitative Analysis* 45, 1161-1187.

Lin, Leming and Mark J. Flannery, 2013, Do personal taxes affect capital structure? Evidence from the 2003 tax cut, *Journal of Financial Economics*109, 549-565.

Opler, Tim C., and Sheridan Titman, 1994, "Financial Distress and Corporate Performance," *Journal of Finance* 49, 1015-1040

Rajan, Raghuram, and Luigi Zingales, "What Do We Know about Capital Structure? Some Evidence from International Data," *Journal of Finance* (December 1995), Vol. 50, No. 5, pp. 1421-1460.

Saretto, Alessio, and Heather E. Tookes, 2013, Corporate leverage, debt maturity, and credit supply: The role of credit default swaps, *Review of Financial Studies* 26, 1190-1247.

Shyam-Suder, L., and S.C. Myers, 1999, Testing static tradeoff against pecking order models of capital structure, *Journal of Financial Economics* 51, 219-244.

Strebulaev, I. A., 2007, Do tests of capital structure theory mean what they say?, *Journal of Finance* 62, 1747-1787.

Welch, Ivo, "Capital Structure and Stock Returns," *Journal of Political Economy* (Feb. 2004) Vol. 112, No. 1, pp. 106-131.

[Mock 1] Dierker, Martin, Jun-Koo Kang, Inmoo Lee and Sung Won Seo, 2013, Do firms adjust capital structures to manage risk?, KAIST Working Paper.

II.B Venture Capital, IPOs and SEOs (Week 9)

Required:

Beatty, Randolph P., and Jay R. Ritter, 1986, Investment banking, reputation, and the pricing of initial public offerings, *Journal of Financial Economics* 15, 213-232.

Lyandres, Evgeny, Le Sun and Lu Zhang, 2008, The new issues puzzle: Testing the investment-based explanation, *Review of Financial Studies* 21, 2825-2855.

Tian, Xuan, 2011, The causes and consequences of venture capital stage financing, *Journal of Financial Economics* 101, 132-159.

[Pre] Doidge, Craig, G. Andrew Karolyi, and Rene M. Stulz, 2013, The U.S. left behind? Financial globalization and the rise of IPOs outside the U.S., *Journal of Financial Economics* 110, 546-173.

Recommended:

Baker, Malcolm, and Jeffrey Wurgler, “The Equity Share in New Issues and Aggregate Stock Returns,” *Journal of Finance* (October 2000) Vol. 55, No. 5, 2219-2257.

Bayless, Mark, and Susan Chaplinsky, 1996, Is there a “window of opportunity” for seasoned equity issuance?, *Journal of Finance* 51, 253-278.

Bradley, Daniel J., Bradford D. Jordan, and Jay R. Ritter, “Analyst Behavior Following IPOs: The ‘Bubble Period’ Evidence,” *Review of Financial Studies* (January 2008) Vol. 21, No. 1, pp. 101-133.

Brav, Alon, and Paul A. Gompers, 2003, The role of lock-ups in initial public offerings, *Review of Financial Studies* 16, 1-29.

Chakraborty, Indraneel, and Nickolay Gantchev, 2013, Does shareholder coordination matter? Evidence from private placements, *Journal of Financial Economics* 108, 213-230.

Chen, Hsuan-Chi, and Jay Ritter, 2000, The seven percent solution, *Journal of Finance*, 55, 1105-1131.

Choe, Hyuk, Ronald W. Masulis, and Vikram Nanda, 1993, Common stock offerings around the business cycle, *Journal of Empirical Finance* 1, 3-31.

Ellis, K., Maureen O’Hara, and Roni Michaely, 2000, When the underwriter is the market maker: An examination of trading in the IPO aftermarket, *Journal of Finance*, 55, 1039-1074.

Gao, Xiaohui and Jay Ritter, and Zhongyan Zhu, 2013, Where Have All the IPOs Gone?, forthcoming, *Journal of Financial and Quantitative Analysis*.

Gao, Xiaohui, and Jay R. Ritter, 2010, The Marketing of Seasoned Equity Offerings, *Journal of Financial Economics* 97, 33-52.

Greenwood, Robin, and Samuel G. Hanson, 2012, Share Issuance and Factor Timing, *Journal of Finance* 67, 761-798.

Karpoff, Jonathan M., Gemma Lee, and Ronald W. Masulis, 2013, Contracting under asymmetric information: Evidence from lockup agreements in seasoned equity offerings, *Journal of Financial Economics* 110, 607-626.

Loughran, Tim, and Bill McDonald, 2013, IPO first-day returns, offer price revisions, volatility, and form S-1 language, *Journal of Financial Economics* 109, 307-326.

McLean, R. David, 2011, Share issuance and cash savings, *Journal of Financial Economics* 99, 693-715.

Nanda, Ramana, and Mathew Rhodes-Kropf, 2013, Investment cycles and startup innovation, *Journal of Financial Economics* 110, 403-418.

Ozmel, Umit, David T. Robinson, and Toby E. Stuart, 2013, Strategic alliances, venture capital, and exit decisions in early stage high-tech firms, *Journal of Financial Economics* 107, 655-670.

II.C Corporate Governance and M&A (Week 10)

Required

Baker, M., and S. Savasoglu, 2002, "Limited Arbitrage in Mergers and Acquisitions", *Journal of Financial Economics* 64, 91–15

Barraclough, Kathryn, David T. Robinson, Tom Smith, and Robert E. Whaley, 2013, Using option prices to infer overpayments and synergies in M&A transactions, *Review of Financial Studies* 26, 695-722.

Cornelli, Francesca, Zbigniew Kominek, and Alexander Ljungqvist, 2013, Monitoring managers: Does it matter?, *Journal of Finance* 68, 431-481.

La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer and Robert Vishny, 2000, Investor protection and corporate governance, *Journal of Financial Economics* 58, 3-27.

[Pre] Fu, Fangjian, Leming Lin, and Micah S. Officer, 2013, Acuisitions driven by stock overvaluation: Are they good deals?, *Journal of Financial Economics*109, 24-39.

Recommended:

Bodnaruk, Andriy, Massimo Massa, and Andrei Simonov, 2013, Alliances and corporate governance, *Journal of Financial Economics* 2013, 671-693.

Hermalin, Benjamin E., and Michael S. Weisbach, 1988, The determinants of board composition, *Rand Journal of Economics* 19, 589-606.

Jensen, Michael C., and Richard S. Ruback, 1983, “The Market for Corporate Control: The Scientific Evidence,” *Journal of Financial Economics* 11, 5-50.

Jensen, Michael C., and Kevin J. Murphy, 1990, “Performance pay and top-Management Incentives,” *Journal of Political Economy* 98, 225-264.

LaPorta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert Vishny, “Legal Determinants of External Finance,” *Journal of Finance* (July 1997) Vol. 52, No. 3, pp. 1131-1150.

Loughran, Tim and Anand M. Vijh, 1995, “The Post-Acquisition Returns of Cash vs. Stock Acquirers,” Working Paper, University of Iowa.

Maksimovic, Vojislav, Gordon Phillips, and Liu Yang, 2013, Private and public merger waves, *Journal of Finance* 68, 2177-2217.

Mitchell, Mark, Todd Pulvino, and Erik Stafford, 2004, Price pressure around mergers, *Journal of Finance* 59, 31-63.

Morck, Randall, Andrei Shleifer and Robert Vishny, 1990, Do Managerial Objectives Drive Bad Acquisitions”, *Journal of Finance* 45, 31−48.

Rau, Raghavendra P. and Theo Vermaelen, 1998, Glamour, value and the post-acquisition performance of acquiring firms, *Journal of Financial Economics* 49, 223-253.

Schwartz-Ziv, Miriam, and Michael S. Weisbach, 2013, What do boards really do? Evidence from minutes of board meetings, *Journal of Financial Econmics* 108, 349-366.

Shleifer, Andrei and Robert Vishny, 1986, “Large Shareholders and Corporate Control,” *Journal of Political Economy* 94, 461-488.

Shleifer, Andrei, and Robert Vishny, 1997, A Survey of Corporate Governance, *Journal of Finance* 52, 737-783.

Weisbach, Michael, 1988, Outside directors and CEO turnover, *Journal of Financial Economics* 20, 431-460.

Yermack, David, 1996, Higher market valuation of companies with a small board of directors, *Journal of Financial Economics* 40, 185-211.

[Mock 2] Huang, Rongbing, Jay R. Ritter, and Donghang Zhang, 2013, Private equity firms' reputational concerns and the costs of debt financing, University of Florida Working Paper.

II. D Dividend and Share Repurchases (Week 11)

Required

Bargeron, Leonce, Manoj Kulchania, and Shawn Thomas, 2011, Accelerated share repurchases, *Journal of Financial Economics* 101, 69-89.

Brav, Alon, John R. Graham, Campbell R. Harvey and Roni Michaely, 2005, Payout policy in the 21st century, *Journal of Financial Economics* 77, 483-527.

Ikenberry, David, Josef Lakonishok, and Theo Vermaelen, 1995, "Market Under-reaction to Open Market Repurchases," *Journal of Financial Economics* 39, 181-208.

Von Eije, Henk, and William L. Megginson, 2008, Dividends and share repurchases in the European Union, *Journal of Financial Economics* 89, 347-374.

[Pre] Chen, Sheng-Syan, and Yanzhi Wang, 2012, Financial constraints and share repurchases, *Journal of Financial Economics* 105, 311-331.

Recommended:

Boudoukh, Jacob, Roni Michaely, Matthew Richardson and Michael R. Roberts. 2007. "On the Importance of Measuring Payout Yield: Implications for Empirical Asset Pricing." *Journal of Finance*, vol. 62, no. 2 (April): 877-915.

Chan, Konan David Ikenberry, Inmoo Lee and Yanzhi Wang, 2010, "Share Repurchases as a Tool to Mislead Investors: Evidence from Earnings Quality and Stock Performance", *Journal of Corporate Finance* 16, 137-158.

Denis, David J., and Igor Osobov, 2008, Why do firms pay dividends? International evidence on the determinants of dividend policy, *Journal of Financial Economics* 89, 62-82.

DeAngelo, Harry, Linda DeAngelo, and Douglas J. Skinner, 2004, Are dividends disappearing? Dividend concentration and the consolidation of earnings, *Journal of Financial Economics* 72, 425-456.

Litzenberger, Robert H. and Krishna Ramaswamy. 1982. "The Effect of Dividends on Common Stock Prices: Tax Effects or Information Effects?" *Journal of Finance*, vol. 37 no. 2 (May): 429-443.

Shefrin, H. M. and M. Statman, 1984, "Explaining Investor Preference for Cash Dividends," *Journal of Financial Economics* 13, 253-282.

Michaely, Roni, Richard Thaler, and Kent Womack, 1995, "Price Reactions to Dividend Initiations and Omissions: Overreaction or Drift?", *Journal of Finance* 50, 573-608.

Fama, Eugene F. and Kenneth R. French. 2001. "Disappearing Dividends: Changing Firm Characteristics or Lower Propensity to Pay?" *Journal of Financial Economics*, vol. 60 no. 1 (April): 3-43.

La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny, "Agency Problems and Dividend Policies Around the World," *Journal of Finance* (February 2000) Vol. 55, No. 1, pp. 1-33.

II. E Convertible Bonds (Week 12)

Required

Mayers, David, 1998, Why firms issue convertible bonds: the matching of financial and real investment options, *Journal of Financial Economics* 47, 83-102.

Choi, Darwin, Mila Getmansky, and Heather Tookes, 2009, Convertible bond arbitrage, liquidity externalities, and stock prices, *Journal of Financial Economics* 91, 227-251.

Henderson, Brian J., and Heather Tookes, 2013, Do investment banks' relationships with investors impact pricing? The case of convertible bond issues, *Management Science* 58, 2272-2291.

[Pre] De Jong, Abe, Marie Dutordoir, and Patrick Verwijmeren, 2011, Why do convertible issuers simultaneously repurchase stock? An arbitrage-based explanation, *Journal of Financial Economics* 100, 113-129.

Recommended

Dutordoir, Marie, Craig Lewis, James Seward, and Chris Veld, 2013, What we do and do not know about convertible bond financing, *Journal of Corporate Finance* forthcoming.

Hillion, Pierre, and Theo Vermaelen, 2004, Death spiral convertibles, *Journal of Financial Economics* 71, 381-415.

Pennacchi, George, Theo Vermaelen, and Christian C. P. Wolff, 2013, Contingent capital: The case of COERCs, University of Illinois Working Paper.

Stein, Jeremy, 1992, Convertible bonds as backdoor equity financing, *Journal of Financial Economics* 32, 3-21.

II.F Real Options and Employee Stock Options (Week 13)

Required:

Babenko, Ilona, Michael Lemmon, Yuri Tserlukevich, 2011, Employee stock options and investment, *Journal of Finance* 66, 981-1009.

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Carpenter, Jennifer N., 1998, The exercise and valuation of executive stock options, *Journal of Financial Economics* 48, 127-158.

Carpenter, Jennifer N., Richard Stanton, and Nancy Wallace, 2010, Optimal exercise of executive stock options and implications for firm cost, *Journal of Financial Economics* 2010, 315-337.

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Giaccotto, Carmelo, Gerson Goldberg and Shantaram Hegde, 2007, The value of embedded real options: Evidence from consumer automobile lease contracts, *Journal of Finance* 62, 411-445.

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II.G Corporate Risk Management (Week 14)

Required:

Tufano, Peter, 1996, Who manages risk? An empirical examination of risk management practices in the gold mining industry, *Journal of Finance* 51, 1097- 1137.

Cornaggia, Jess, 2013, Does risk management matter? Evidence from the U.S. agricultural industry, *Journal of Financial Economics* 109, 419-440.

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[Pre] Adam, Tim, 2009, Capital expenditures, financial constraints, and the use of options, *Journal of Financial Economics* 2009, 238-251.

Recommended:

Adam, Tim and Chitru Fernando, 2006, Hedging, speculation and shareholder value, *Journal of Financial Economics* 81, 283-309.

Bartram, Sohnke, Gregory Brown and Bernandette Minton, 2010, Resolving the exposure puzzle: The many facets of exchange rate exposure, *Journal of Financial Economics* 95, 148-173.

Chacko, George, Peter Tufano and Geoffrey Verter, 2001, Cephalon, Inc. Taking risk management theory seriously, *Journal of Financial Economics* 60, 449-485

Froot, Kenneth A., David S. Scharfstein, and Jeremy C. Stein, 1993, Risk Management: Coordinating Corporate Investment and Financing Policies, *Journal of Finance* 48, 1629-1658.

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