

**Terry College of Business**  
**Department of Banking and Finance**  
**Spring 2008**

**FINA 8990-Corporate Finance**  
**Call # 08-250**  
**Brooks Hall, 363**  
**Office Hours: By Appointment**

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**Course Day and Time:** Thursdays from 3:30-6:15pm  
**Room:** Sanford, 312

**COURSE OUTLINE**

This course is designed to provide a framework for understanding the determinants of corporate investment, financing, and dividend policies, and to expose you to much of the available evidence on these topics. In calculating the final course grade, class participation will count 5%; the problem sets, 30%, and the final 65%. Most of the problem sets will be group assignments. At the end of the course, each student will be asked for an assessment of the members' contribution to their study-team assignments.

**The textbooks for the course are:**

**Brealey/Myers** (2006) Principles of Corporate Finance  
**Brickley/Smith/Zimmerman** (2004) Managerial Economics and Organizational Architecture  
**Chew** (2001) The New Corporate Finance: Where Theory Meets Practice

**Attendance:**

Please make every effort to attend all classes. You are responsible for what is covered in class whether you are present or not.

**Academic Honesty:**

All academic work must meet the standards contained in "A Culture of Honesty." All students are responsible to inform themselves about those standards before performing any academic work. All students are expected to abide by the University Honor Code as found in *A Culture of Honest*, which includes the following statement: *The University of Georgia seeks to promote and ensure academic honesty and personal integrity among students and other members of the University community. A policy on academic honesty (and procedural guidelines for adjudication of alleged violations of academic honesty) has been developed to serve these goals. Academic honesty means performing all academic work without plagiarizing, cheating, lying, tampering, stealing, receiving assistance from any other person or using any source of information that is not common knowledge (unless that assistance or use is authorized by the person responsible for supervising that academic work or fairly attributed to the source of assistance or information).* <http://www.uga.edu/ovpi/honesty/acadhon.htm>  
ANY violation will be reported to the Office of Academic Affairs.

**Academic Accommodations:** If you would like to request academic accommodations due to a disability please contact The Disability Resource Center, 114 Clark Howell Hall, 706-542-8719 voice, 706-542-7719 fax, or 706-542-8778 tty.

## 1. INTRODUCTION

**Smith** (1990) "The Theory of Corporate Finance: A Historical Overview." (handed out in class)

## 2. CORPORATE LEVERAGE

**Brealey/Myers** (2003) Chapter 17 through 21 may provide useful background for the remaining readings

**Miller** (1988) "The Modigliani/Miller Propositions After Thirty Years" *Journal of Economic Perspectives* (**reprinted** in Chew, p. 184)

**Smith** (1979) "Applications of Option Pricing Analysis," in *Handbook of Financial Economics* edited by J. Bicksler (North-Holland: Amsterdam) 79-121 (handed out in class) — focus on sections 1-3

**Warner** (1977) "Bankruptcy Costs: Some Evidence," *Journal of Finance*, 337-347 (handed out in class)

**Barclay/Smith/Watts** (1997) "The Determinants of Corporate Leverage and Dividend Policies," *Focus on leverage discussion*. (handed out in class)

## 3. EXECUTIVE COMPENSATION POLICY

**Smith/Watts** (1982) "Incentive and Tax Effects of U.S. Executive Compensation Plans," *Australian Journal of Management*, 7, 139-157 (handed out in class)

**Brickley/Smith/Zimmerman** (2004), Chapters 14 and 15.

## 4. CORPORATE FINANCING POLICY

**Smith/Warner** (1979) "On Financial Contracting: An Analysis of Bond Covenants," *Journal of Financial Economics*, 117-161 (handed out in class)

**Barclay/Smith** (1996) "On Financial Architecture: Leverage, Maturity, and Priority," (**reprinted** in Chew, p. 210)

**Smith/Wakeman** (1984) "Determinants of Corporate Leasing Policy," *Journal of Finance* 40, 895-908 (handed out in class)

**Brickley/Smith/Zimmerman** (2004), Chapter 19

**Smith** (2007) "Corporate Risk Management: Theory and Practice," (handed out in class)

**Lewent/Kearney** "Identifying, Measuring and Hedging Currency Risk at Merck," (**reprinted** in Chew, 428)

**Doherty/Smith** (1993) "Corporate Insurance Strategy: The Case of British Petroleum," (**reprinted** in Chew, p. 475)

## 5. CORPORATE PAYOUT POLICY

**Brealey/Myers** (2003), Chapter 16

**Black** (1976) “The Dividend Puzzle,” *Journal of Portfolio Management*, 5-8 (handed out in class)

**Barclay/Smith/Watts** (1997) “The Determinants of Corporate Leverage and Dividend Policies,” *Focus on payout policy*. (handed out in class)

**Smith** (1993) “Raising Capital: Theory and Evidence” (**reprinted** Chew, p. 277).

## 6. SUMMARY

**Jensen/Smith** (1985) “Stockholder, Manager, and Creditor Interests: Applications of Agency Theory,” in *Recent Advances in Corporate Finance*, edited by E. Altman and M. Subrahmanyam (Dow-Jones Irwin: Homewood, Illinois), 95-131. (handed out in class).