Course Overview

This is a PhD course in corporate finance. The purpose of the course is to (1) gain knowledge of research in corporate finance, (2) learn about methods of testing theories, and (3) understand how to recognize and respond to issues in conducting estimation. The papers to be covered in the course are provided on the attached Reading List.

The attached outline sketches the content of the course. The first 6 weeks will deal with topics in corporate finance. In weeks 7 and 8, students will present published research in an area chosen by the student. Weeks 9 through 13 will address issues involved in conducting empirical research in corporate finance. In weeks 14 and 15, students will present results from their own research.

Course Requirements

Students will be graded on class participation (30%) and a research paper (70%).

Class Participation: The course is a seminar. This means that class sessions will primarily entail discussions rather than being lecture-based. All students should come to class with a thorough understanding of the three (or four) assigned papers per week (see the reading list). This includes (a) the basic motivation of the paper (why was it written?), (b) the underlying theory or theories being tested, (c) the data and empirical methods used, (d) the results of the paper, and, most importantly, (e) what future research is suggested by the extant analysis. The participation grade will be based on the cogency of the student’s comments. Any student who reveals a lack of preparation is subject to dire sanctions.

Research paper: Each student will conduct empirical research on a topic in corporate finance of their own choosing (see the reading list for a variety of possible topics). The paper should be an event study, where an event is defined to have an announcement and an execution (completion) date. The focus of analysis should be a set of publicly traded firms that have available stock price and other financial data. Data can come from sources such as CRSP, Compustat and SDC or can be generated from other sources such as LexisNexis, SEC EDGAR, Moody’s Manuals, Yahoo Finance and Google. Each student should conduct their work independently.

To accomplish the research paper by the end of the semester, students must act promptly and diligently. To monitor this performance, a schedule for the research paper is attached. Failure to meet prescribed deadlines will impinge on the grade for the research paper.
## Finance 9120: Empirical Research in Corporate Finance

### Schedule for the Research Paper

All assignments for a given week should be handed in (or emailed) by 12 noon on Monday (the day before class).

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<thead>
<tr>
<th>Week</th>
<th>Assignment</th>
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<tr>
<td>2</td>
<td>One paragraph abstract on the event to be studied and your motivation</td>
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<tr>
<td>3</td>
<td>Elaboration of the theories being tested and the data to be used</td>
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</table>
| 4    | Detailed literature review on the topic (write-up and table(s))
      |   - Detail the content of the prior research in a table
      |   - What are the outstanding theoretical and empirical issues?
      |   - What is your proposed contribution? |
|      | Also provide a specific paper to be presented in weeks 7-8 |
| 5    | Initial sample of firms with announcement and execution dates
      |   (dates should be verified with stories from LexisNexis) |
      |   Include a one-page write-up of your sampling method
      |   Also a table with columns for firm, announcement date and execution date |
| 6    | Table with summary statistics for the firms; possible variable include:
      |   - age, size, % debt, dividend payout ratio, P/E ratio, R&D/Sales |
| 7-8  | Student presentations of published research |
| 9    | Basic event study results for announcement and execution dates
      |   - Raw returns for (-1,+1) as well as net-of-market (in a table(s)) |
| 11   | Robustness Analysis
      |   - Alternative CAR estimates; Compustat analysis, (in a table(s))
      |   - Longer event windows |
| 12   | Initial write-up of results |
| 14-15| Student presentations of their own research |
| 15   | Completed paper |
# Finance 9120: Empirical Research in Corporate Finance

*Outline of Topics*

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<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
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<td>1</td>
<td>January 8</td>
<td>Overview of Analysis</td>
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<tr>
<td>2</td>
<td>January 15</td>
<td>Securities Offerings: IPOs and SEOs</td>
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<td>3</td>
<td>January 22</td>
<td>Capital Structure and Payout Policy</td>
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<td>4</td>
<td>January 29</td>
<td>Corporate Restructuring</td>
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<td>5</td>
<td>February 5</td>
<td>Corporate Finance and Industrial Organization</td>
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<td>6</td>
<td>February 12</td>
<td>Corporate Governance</td>
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<td>7-8</td>
<td>February 19, 26</td>
<td>Student Presentations of Published Research</td>
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<td>9</td>
<td>March 4</td>
<td>Microstructure and Price Pressure</td>
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<td>Spring Break</td>
<td>March 10-14</td>
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<td>10</td>
<td>March 18</td>
<td>Testing Hypotheses</td>
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<td>11</td>
<td>March 25</td>
<td>Choice in Corporate Finance</td>
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<td>12</td>
<td>April 1</td>
<td>Endogeneity and Selection Bias</td>
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<td>13</td>
<td>April 8</td>
<td>Long Run Performance</td>
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<tr>
<td>14-15</td>
<td>April 15, 22</td>
<td>Student Presentations of Their Own Research</td>
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</table>
Finance 9120: Empirical Research in Corporate Finance

Reading List

The material for the course is a list of papers that should all be available electronically. Published papers can be obtained via JSTOR and/or the journals themselves on the UGA library website. Working papers can be found on the Social Science Research Network and/or the authors’ websites.


The reading list for each week contains three sets of papers. The first set for each week, Assigned Papers, will be our point of emphasis. These are generally three (or four) papers within the topic for the week, usually one conceptual paper and two empirical papers. You should know these papers backwards and forwards.

The Theory papers provide the conceptual underpinnings of the assigned empirical work. You should understand the arguments in these papers, especially as they relate to the assigned work.

The Background papers provide further treatment of the assigned topic. Many are survey papers that show the development of the area. Some are recent papers not in the assigned group that also indicate the evolution of research in the area.
1. Overview of Analysis

Assigned Papers


Theory


Background

Smith, pp. 3-24, in Smith, *The Modern Theory of Corporate Finance*


2. Securities Offerings: IPOs and SEOs

Assigned Papers


Background


Eckbo, Masulis, and Norli, “Security Offerings,” working paper, [see Espen Eckbo’s website at Tuck School of Business, Dartmouth College]

3. Capital Structure and Payout Policy

Assigned Papers


Theory


Background


4. Corporate Restructuring

Assigned Papers


Boone & Mulherin, “Do Private Equity Consortiums Impede Takeover Competition?” working paper (to be distributed).

Theory


Background


5. Corporate Finance and Industrial Organization

Assigned Papers


Theory


Background


Boone, “The Interaction of Ownership, Governance, and Product Markets: Evidence from Equity Carve-Outs,” working paper. [see Audra Boone’s website at the University of Kansas]
6. Corporate Governance

Assigned Papers


Howell, “Dual Class Unifications,” working paper (to be distributed).

Theory


Background


7-8. Student Presentations of Published Research

To be announced.
9. Microstructure and Price Pressure

Assigned Papers


Theory


Background


10. Testing Hypotheses

**Assigned Papers**


**Theory**


**Background**

11. Choice in Corporate Finance

Assigned Papers


Theory


Background


12. Endogeneity and Selection Bias

Assigned Papers


Theory


Background


13. Long Run Performance

Assigned Papers


Theory


Background


Ritter, “Behavioral Finance,” working paper. [See Jay Ritter’s web site at the University of Florida]
14-15. Student Presentations of Their Own Research

To be announced