**NATIONAL CHENGCHI UNIVERSITY**
**Department of Finance**

**Corporate Finance Seminar**
Fall, 2013

| | |
|---|---|
| **Instructor** | Konan Chan 張可南 |
| Office | Room 1239, College of Commerce Building |
| Phone | 29393091 ext 81239 |
| E-mail | konan@nccu.edu.tw |
| Course website | http://www3.nccu.edu.tw/~konan/PCF.html |
| Office hours | by appointment |

## Course Description:

This Ph.D. course is aimed to give you an overview of empirical contributions of modern corporate finance, and prepare you to conduct independent empirical research on corporate finance which could potentially leads to your dissertation.

## Recommended Text:

You are strongly encouraged to read papers from the *Journal of Finance*, *Journal of Financial Economics*, and *Review of Financial Studies*. Their recent and forthcoming articles can be downloaded from www.afajof.org, www.jfe.rochester.edu, and rfs.oxfordjournals.org, respectively.

## Grading and Requirements:

| | |
|---|---|
| Participation | 10% |
| Assignments and presentations | 20% |
| Final exam | 30% |
| Research proposal | 40% |

You are required to read the suggested readings before classes. You are responsible to present at least a paper in class. You should choose two papers to write referee reports. I will give you some assignments to implement the methods you learn from this course. You are also required to submit and present your research proposal by the end of the semester. To make sure that you can submit your proposal on time, hand in your topic by **November 27.** I encourage you to discuss with me about your research topic as early as possible. You can write the proposal by your own or co-author with another student.

I would like you to offer motivations to explain why you choose a specific topic for your research. I expect to see detailed literature review in your proposal. Please specify your hypotheses and methods you plan to use. I expect you to present your research paper in the future brown-bag seminar.

Please note that this is a heavy-loading course designed for students who would like to be an empiricist in finance. I will treat every student in class the same, regardless whether (s)he takes the course for credit or not.

**Readings:**

This reading list is tentative and is subject to change. (S) denotes the papers from which students can choose to present and write referee reports.

## 1. Event Study

### 1.1. Long-run performance

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

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.

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

Loughran, Tim, and Jay Ritter, 2000, Uniformly least powerful tests of market efficiency, Journal of Financial Economics 55, 361-389.

Ikenberry, David, and Sundaresh Rammath, 2002, Underreaction to self-selected news events: The case of stock splits, Review of Financial studies 15, 489-526.

(S) Liu, Yi, Samuel Szewczyk, and Zaher Zantout, 2008, Underreaction to dividend reductions and omissions? Journal of Finance 63, 987-1020.

Peterson, Mitchell, 2009, Estimating standard errors in finance panel data sets: Comparing approaches, Review of Financial Studies 22, 435-480.

### 1.2. Return predictability

Fama, Eugene, and Kenneth French, 1996, Multifactor explanations of asset pricing anomalies, Journal of Finance 51, 55-84.

Lakonishok, Josef, Andrei Shleifer, and Robert Vishny, 1994, Contrarian investment, extrapolation, and risk, Journal of Finance 49, 1541-1578.

(S) Cooper, Michael, Gulen, Schill, M., 2008, Asset growth and the cross-section of stock returns. Journal of Finance 63, 1609-1651.

Fama, Eugene, Kenneth French, 2008, Dissecting anomalies, Journal of Finance 63, 1653-1678.

**2. Security Offerings**

**2.1. Initial public offerings**

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

(S) Carter, Richard, Frederick Dark, and Ajai Singh, 1998, Underwriter reputation, initial returns, and the long-run performance of IPO stocks, Journal of Finance 53, 285-311.

(S) Teoh, Siew Hong, Ivo Welch, and T.J. Wong, 1998, Earnings management and the long-run market performance of initial public offerings, Journal of Finance, 53, 1935-1974.

Ritter, Jay, and Ivo Welch, 2002, A review of IPO activity, pricing, and allocations, Journal of Finance 57: 1795-1828.

Hanley, Kathleen Weiss, 1993, The underpricing of IPOs and the partial adjustment phenomenon, Journal of Financial Economics 34, 231-250.

Loughran, Tim, and Jay R. Ritter, 2004, Why has IPO underpricing changed over time? Financial Management 33, 5-37.

**2.2. Seasoned equity offerings**

Baker, Malcolm, and Jeffrey Wurgler, 2000, The equity share in new issues and aggregate stock returns, Journal of Finance 55, 2219-2257.

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

DeAngelo, Henry, Linda DeAngelo, Rene Stulz, 2010, Seasoned equity offerings, market timing, and the corporate lifecycle, Journal of Financial Economics 69, 275-295.

(S) Kim, Woojin, and Michael Weisbach, 2008, Motivations for public equity offers: An international perspective, Journal of Financial Economics 87, 281–307.

(S) Altinkilic, Oya, and Robert Hansen, 2003, Discounting and underpricing in seasoned equity offers, Journal of Financial Economics 69: 285-323.

Masulis, Ronald, and Gemma Lee, 2009, Seasoned equity offerings: Quality of accounting information and expected flotation costs, Journal of Financial Economics 92, 443-469.

(S) Chan, Konan, Nandkumar Nayar, Ajai Singh, and Wen Yu, 2012, Market reaction, revised proceeds, and the classification of seasoned equity offerings, working paper.

**3. Payout**

**3.1. Dividends**

Fama, Eugene, and Kenneth French, 2001, Disappearing dividends: Changing firm characteristics or lower propensity to pay? Journal of Financial Economics 60, 3-43.

Baker, Malcolm, and Jeffrey Wurgler, 2004, A catering theory of dividends, Journal of Finance 59, 1125-1165.

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

(S) DeAngelo, Henry, Linda DeAngelo, and Rene Stulz, 2006, Dividend and the earned/contributed capital mix: a test of the life-cycle theory, Journal of Financial Economics 81, 227-254.

**3.2. Repurchases**

Ikenberry, David, Josef Lakonishok, and Theo Vermaelen 1995, Market underreaction to open market repurchases, Journal of Financial Economics 39, 181-208.

Grullon, Gustavo, and Roni Michaely, 2004, The information content of share repurchase programs, Journal of Finance 59, 651–680.

Dittmar, Amy, 2000, Why do firms repurchase stock? Journal of Business 73, 331-355.

(S) Chan, Konan, David Ikenberry, and Inmoo Lee, 2004, Economic sources of gain in stock repurchases, Journal of Financial and Quantitative Analysis 39, 461-479.

**4. Capital Structure**

Shyam-Sunder, Lakshmi, and Stewart Myers, 1999, Testing static tradeoff against pecking order models of capital structure, Journal of Financial Economics 51, 219-244.

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

Baker, Malcolm, and Jeffrey Wurgler, 2002, Market timing and capital structure, Journal of Finance 57, 1-32.

Alti, Aydogan, 2006, How persistent is the impact of market timing on capital structure? Journal of Finance 61, 1681-1710.

Frank, Murray, and Vidhan Goyal, 2009, Capital structure decisions: Which factors are reliably important? Financial Management 38, 1-37.

Flannery, Mark, and Kasturi Rangan, 2006, Partial adjustment towards target capital structures, Journal of Financial Economics 79, 469-506.

(S) Lemmon, Michael, Michael Roberts, and Jaime Zender, 2008, Back to the beginning: Persistence and the cross-section of corporate capital structure, Journal of Finance 63, 1575-1608.

(S) Faulkender, Michael, and Mitchell Petersen, 2006, Does the source of capital affect capital structure? Review of Financial Studies 19, 45-79.

Leary, Mark, 2009, Bank loan supply, lender choice, and corporate capital structure, Journal of Finance 64, 1143-1185.

## 5. Corporate Governance

### 5.1. Corporate control

(S) Morck, Randall, Andrei Shleifer, and Robert Vishny, 1988, Management ownership and market valuation: An empirical analysis, Journal of Financial Economics 20, 293-315.

(S) Loughran, Tim, and Anard Vijh, 1997, Do long-term shareholders benefit from corporate acquisitions? Journal of Finance 52, 1765-1790.

Savor, Pavel, and Qi Lu, 2009, Do stock mergers create value for acquirers? Journal of Finance 64, 1061-1097.

### 5.2. Corporate governance

La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert Vishny, 2002, Investor protection and corporate valuation, Journal of Finance 57, 1147-1170.

(S) Gompers, Paul, Joy Ishii, and Andrew Metrick, 2003. Corporate governance and equity prices, Quarterly Journal of Economics 118, 107-155.

Bebchuk, Lucian, and Alma Cohen, 2005, The costs of entrenched boards, Journal of Financial Economics 78, 409-433.

(S) Masulis, Ronald, Cong Wang, and Fei Xie, 2007, Corporate governance and acquirer returns, Journal of Finance 62, 1851-1889.

**Course Schedule:**

| Week | Date | Topic |
|---|---|---|
| 1 | Sep. 18 | Event study: Long-run performance |
| 2 | Sep. 25 | Event study: Long-run performance |
| 3 | Oct. 2 | Event study: Return predictability |
| 4 | Oct. 9 | Security offerings: IPO |
| 5 | Oct. 16 | Security offerings: IPO |
| 6 | Oct. 23 | Security offerings: SEO |
| 7 | Oct. 30 | Security offerings: SEO |
| 8 | Nov. 6 | Payout: Dividends |
| 9 | Nov. 13 | Payout: Repurchases |
| 10 | Nov. 20 | Capital structure |
| 11 | Nov. 27 | Capital structure |
| 12 | Dec. 4 | Capital structure |
| 13 | Dec. 11 | Corporate control |
| 14 | Dec. 18 | Corporate governance |
| 15 | Dec. 25 | Exam |
| 17 | Jan. 8 | Research paper presentation |
| 18 | Jan. 15 | Research paper presentation |