Carleton University  
Sprott School of Business

BUSI 4500 A & B  
Advanced Corporate Finance  
Winter 2013

Course Information:

Lecture Location and Lecture Time:

Section A: Canal Building 2104: **Wednesday** 8:35 am - 11:25 am
Section B: Canal Building 3101: **Wednesday** 2:35 pm - 5:25 pm

Course Instructor: Sana Mohsni
Phone, Room #: (613) 520 -2600 ext 2991; DT1715
E-Mail: sana_mohsni@carleton.ca
Office Hours: Friday:12 pm – 1:30 pm

**Prerequisites**

BUSI 3500 (with a grade of C- or better). The School of Business enforces all prerequisites.
**Course Objectives**

The course has two objectives. The first objective is to probe a few selected topics in finance theory and (more importantly) the related empirical evidence that are of interest to finance managers and capital market participants. Given the breadth and depth of issues in corporate finance, it is almost impossible to cover all topics of interest. This year we will cover the following areas of particular interest and intrigue: Risk and expected returns, event analysis, Corporate Governance, Dividend Policy, Capital Structure, Mergers and Acquisitions, and Initial Public Offerings. The second and more important objective of this course is to provide students the opportunity to conduct empirical research on a topic that is of particular interest to them. It is expected that students taking this course have the necessary background in Statistics and Economics 2200 and are expected to read and refer to their statistics textbook during this course as well be comfortable with Statistical functions in Excel and have working knowledge of statistical packages like SPSS.

**Course Readings and Material**

The course would be based on contemporary papers/assigned readings in the selected areas. Students are required to obtain copies of the papers that are listed on pages 6-8. In addition, interested students can read the following books as supplemental readings to augment their knowledge and to get a better understanding of the specific topics.

**Text Book and Supplemental Readings**


**Grading Components**

**Grading Scheme and Due Dates**

<table>
<thead>
<tr>
<th></th>
<th>Individual Literature Review</th>
<th>Due Date: 24th February</th>
<th>10%</th>
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<tbody>
<tr>
<td>2**</td>
<td>Written Research proposal</td>
<td>Due Date: 5th March</td>
<td>10%</td>
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<tr>
<td>3*</td>
<td>In-Class Test</td>
<td>Due Date: 9th March</td>
<td>35%</td>
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<tr>
<td>4**</td>
<td>Research Paper - Group presentation</td>
<td>Due Date: Week of April 2</td>
<td>15%</td>
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<tr>
<td>5**</td>
<td>Research Paper - Submission of Group Final Written Report</td>
<td>Due Date: April 9</td>
<td>30%</td>
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* The test will be based on material covered in the lectures and on assigned readings.

**These marks would be weighted for each individual in the group based on the ratings from peer evaluation (see below).
Group Research Project

An important objective of this course is to provide students an opportunity to explore a topic that is of interest to them and conduct empirical research on that topic. The main benefits to students will be an opportunity to discover new evidence in an area of interest to them and the opportunity to review the current thinking and research on that topic. This research would involve a review of salient literature, discussions of some outstanding issues pertaining to the chosen topic, designing of testable hypotheses and possible empirical design and statistical tests that would be used to test the hypotheses, estimation and analysis of the results.

The research project will be done in stages. First, each group (typically no more than 5 students per group) will choose a research topic of interest, seek approval from the instructors, conduct a literature search and identify about 20 relevant papers relating to the topic. Note that there will be no lectures in January 30th. Your group should use the lecture time to do a library/literature search to identify your research topic and start gathering papers on the topic. Your group should seek approval of the topic from the professors by email as soon as possible. Once approval has been granted, you will then identify and compile a list of the relevant literature. The list of papers should be to the Professor(s) by noon of February 10th. The group leader would then interact with the instructors to identify and agree on a subset of relevant articles. Each student in the group will be assigned 5 of these readings and would be expected to complete a summary and critical review of this set of readings. This individual assignment is due for grading by noon of 24th February. Note that each day of delay would reduce your individual literature review mark by 1 per day. A copy of your individual literature review should be given to each member of the group. Based on these reviews, each group will prepare a combined literature review that will be included in the research proposal and the final report. See the Peer evaluation form below.

Between February 12th and March 5th (or earlier) the group will prepare a research proposal that shows the introduction and motivation for the study, brief outline of the key research questions and the hypotheses the group wants to pursue/test; state how the proposed work relates to existing work (based on the literature review); outline the data collection needs; and will clearly articulate the methodology (statistical tests) by which the research question(s) will be put to the test. It is expected that during this period the designated representative of the group (this means the group needs to select/elect a representative) will communicate any issues about the project to the professors. Each group will submit the research proposal and the research plan to the professors for grading by March 5th or earlier.

The period from March 5th through April 2nd will be devoted to completing the research (econometric estimation, analysis of results, etc). Each group will present the research report to the class in the week beginning April 2nd. It is imperative that every one attends the lecture/presentation the week beginning April 2nd. The presentations are one of the most important learning opportunities in this course. Consequently, attendance will be taken and it will form part of the individual evaluation (worth 5 marks if absent). The completed written research report is due by noon of April 9th (or earlier). It should be submitted to the Professors in room DT 1712 or DT 1715.

There will be an in class exam on Friday March 9th (because there are two sections, the exam has to be written at the same time by everyone. The time for the exam will be announced in due course. You will be examined on the material covered in the lectures and on the assigned readings. The in-class test will be marked over a three week period due to the large size of the class and test papers will be returned in the week beginning April 2nd.
### Tentative Schedule & Readings

<table>
<thead>
<tr>
<th>Week of</th>
<th>Topic</th>
<th>Readings</th>
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<tr>
<td></td>
<td><strong>Assigned. Details of additional readings (if needed) will be provided in due course</strong></td>
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<tr>
<td>Jan 7</td>
<td>Risk return models, Event analysis</td>
<td>Assigned Readings</td>
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<td>Review of some statistical tests; Available Data bases</td>
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<td>Jan 14</td>
<td>Corporate Governance</td>
<td>Assigned Readings</td>
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<td>Jan 21</td>
<td>Capital Structure</td>
<td>Assigned Readings</td>
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<td>Jan 28</td>
<td>Behavioral Finance</td>
<td>Assigned Readings</td>
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<td>Feb 4</td>
<td>Initial Public Offerings</td>
<td>Assigned Readings</td>
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<td>Feb 11</td>
<td>Mergers and Acquisitions</td>
<td>Assigned Readings</td>
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<td>Feb 18</td>
<td>Winter Break</td>
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<td>Feb 25</td>
<td><strong>Submission of Individual Literature Review (Feb 27)</strong></td>
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<td>Mar 4</td>
<td>Group (10-15 minutes) meeting with the Professors to discuss your proposed research project; <strong>Training on data base usage Submission of Research proposal (Mar 5)</strong></td>
<td>Workshop on databases (meet the TA)</td>
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<td>Wed Mar 6</td>
<td><strong>In-Class test</strong></td>
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<td>Mar 11</td>
<td>Project work – no class:</td>
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<td>Mar 25</td>
<td>Project work – no class – individual group meetings – to be organized</td>
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<td>April 1</td>
<td>Final Group presentations</td>
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<td>April 8</td>
<td>Submission of Final Research Project</td>
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GROUP PEER EVALUATION

The purpose of this evaluation is to provide feedback to the Professor regarding individual group member’s contribution to the research project. This is required since, for whatever reason, some members of the group may not contribute fairly. To ensure that each member of the group gets a fair credit for his/her work, each member individually would submit the following rating for other members of the group by April 5 either by email or by hard copy (signed with the name). The marks for each individual would be averaged. Please note that if some members of the group, for whatever reason, give one individual a very low mark then that individual would have a relatively low mark. Since the professor would have no way of knowing whether this was right or wrong, these ratings would be subject to no second guessing and cannot be appealed. It is strongly suggested that you keep this in mind when forming your group. Note that you do not have to submit this form if everyone did what was expected of him/her. If no such ratings are received, then each individual will receive the same mark for the final research report.

Instructions:
In both columns, indicate (out of 5, where 5 is excellent) the marks that you believe reflects the quality of the individual review contribution to the project.

Your name ________________________________

<table>
<thead>
<tr>
<th>Group Member Name (excluding your own)</th>
<th>INDIVIDUAL LITERATURE REVIEW (out of 5)</th>
<th>OVERALL PARTICIPATION IN THE RESEARCH PROJECT (out of 5)</th>
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Comments of any:
List of Readings

Readings for Session 1: Risk-Return models and Event Study Methodology


Collins, D.W and W.T Dent, 1984, A comparison of Alternative testing methodologies used in capital market research, Journal of Accounting Research 22, 48-84

Readings for Session 2 - Corporate Governance


Readings for Session 3: Capital Structure


Readings for Session 4: Behavioral Corporate Finance


Morck, Randall, “Behavioral Finance in Corporate Governance: economics and ethics of the devil’s advocate”


Readings for Session 5 – Initial Public Offerings


Readings for Session 6 - Mergers and Acquisitions

Dodd, Peter, 1980, Merger proposals, management discretion, and stockholder wealth, JFE, 105-137.


DECLARATION OF ACADEMIC INTEGRITY

Course #:  
Term and year:  
Title of project/paper:  

The University Senate defines plagiarism in the regulations on instructional offenses as: “to use and pass off as one’s own idea or produce work of another without expressly giving credit to another.”

Borrowing someone else’s answers, unauthorized possession of tests or answers to tests, or possession of material designed in answering exam questions, are also subject to university policy regarding instructional offenses.

Photocopying substantial portions of a textbook (e.g. more than 1 chapter or 15% of the total page count) without the publisher's permission is another misuse of intellectual property, and is also a violation of Canadian copyright law. Access Canada's web site provides guidelines on legitimate copying. Instructional offence cases would be referred to the Associate Dean (Undergraduate Studies); individual solutions are not permitted.

I/we declare that the work submitted herewith is my/our work. All sources have been referenced in the footnotes, endnotes or bibliography. This work has not been shared with anyone outside this group.

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<th>Signature of student</th>
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<th>Due Date</th>
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<td>Date and hour received, if late</td>
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<td>Penalty for delay, if applicable</td>
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IMPORTANT ADDITIONAL INFORMATION
REQUIRED CALCULATOR IN BUSI COURSE EXAMINATIONS
Starting Fall 2006, only Texas Instruments BA II Plus calculators will be permitted in all 1000-level business course examinations.

Starting Fall 2007, only Texas Instruments BA II Plus calculators will be permitted in all Business course examinations.

This calculator is available in the campus bookstore (1st floor, University Centre) and at various other off-campus retail stores.

GROUP WORK
The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, follower-ship and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your professor may assign one or more group tasks/assignments/projects in this course. If you have a group assignment you may find the resources at http://sprott.carleton.ca/academic_programs/groupwork useful.

Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

MEDICAL CERTIFICATE
Please note that in all occasions that call for a medical certificate you must use or furnish the information demanded in the standard university form.
http://www2.carleton.ca/registrar/forms/

ACADEMIC ACCOMMODATION
You may need special arrangements to meet your academic obligations during the term because of disability, pregnancy or religious obligations. Please review the course outline promptly and write to me with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist.

Students with disabilities requiring academic accommodations in this course must register with the Paul Menton Centre for Students with Disabilities (PMC) for a formal evaluation of disability-related needs. Documented disabilities could include but not limited to mobility/physical impairments, specific Learning Disabilities (LD), psychiatric/psychological disabilities, sensory disabilities, Attention Deficit Hyperactivity Disorder (ADHD), and chronic medical conditions. Registered PMC students are required to contact the PMC, 613-520-6608, every term to ensure that your Instructor receives your Letter of Accommodation, no later than two weeks before the first assignment is due or the first in-class test/midterm requiring accommodations. If you only require accommodations for your formally scheduled exam(s) in
this course, please submit your request for accommodations to PMC by the last official day to withdraw from classes in each term.

You can visit the Equity Services website to view the policies and to obtain more detailed information on academic accommodation at http://carleton.ca/equity/accommodation

RELIGIOUS OBSERVANCE

Students requesting academic accommodation on the basis of religious observance should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory academic event. Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.

Students or instructors who have questions or want to confirm accommodation eligibility of a religious event or practice may refer to the Equity Services website for a list of holy days and Carleton’s Academic Accommodation policies, or may contact an Equity Services Advisor in the Equity Services Department for assistance.

PREGNANCY

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a letter of accommodation. The student must then make an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

ACADEMIC INTEGRITY – YOUR RESPONSIBILITY!

Using, summarizing or copying directly from another person’s work, without identifying the name of the original thinker, is considered a form of cheating called “plagiarism”. Plagiarism has serious consequences and can result in course / assignment failure and /or academic suspension.

When using, and/or summarizing the ideas and words of another, be it from a web site, a written text, lecture or discussion group, you must identify the source. Should you choose to use the exact words of another, you must acknowledge these words as such by enclosing them within quotation marks. However, be aware that it is not acceptable to copy large chunks from a source, even if you reference it correctly.

Examples of plagiarism and other instructional offences are identified in the Undergraduate Calendar (section 14, p. 59), parts of which read:
Examples of *plagiarism* include

- Submitting a take-home examination, essay, laboratory report, or another assignment, written, in whole or in part, by someone else.
- Using ideas or direct verbatim quotations, paraphrased material, algorithms, formulae, scientific or mathematical concepts, or ideas without appropriate acknowledgements in academic assignments.
- Using another’s data or research findings.
- Failing to acknowledge sources through the use of proper citations when using another’s works and/or failing to use quotation marks.

Unauthorized Cooperation or Collaboration

Students shall not cooperate or collaborate in the completion of an academic assignment in whole or in part, when the instructor has indicated that the assignment is to be completed on an individual basis. Failure to follow the instructor’s direction regarding which assignments, or parts of assignments, should be completed by the individual alone will be considered violation of the standards of academic integrity.

Answering with another students’ *clicker* is also a violation that can lead to severe sanctions.