



**Carleton University
Sprott School of Business**

**BUSI 4500 A & B
Advanced Corporate Finance
Winter 2015**

Course Information:

Lecture Location and Lecture Time:

Section A: Southam Hall 403, **Thursday** 8:35 am - 11:25 am

Section B: Canal Building 3101, **Thursday** 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	Thursday: 12 pm – 1:30 pm

Advanced Corporate Finance

This course represents an in-depth examination of some of the major theoretical issues in corporate finance. This course requires analyses and presentations of both articles from the finance literature and case studies

Prerequisites

BUSI 3500, BUSI 3502, and BUSI 3512 (with a grade of C- or better). STAT 2607 with C- or higher. 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, Behavioral Finance, 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 and are expected to read and refer to their statistics textbook during this course as well as 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 below. 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

While there is no formal textbook for this course, those who want to have a career in finance may wish to buy: Applied Corporate Finance, A User's Manual, Aswath Damodaran, John Wiley & Sons, 1999. ISBN0471239704. In addition, students may read relevant papers from the leading finance journals including Journal of Finance, Journal of Applied Corporate Finance, Journal of Financial Economics, Journal of Accounting and Economics, Journal of Financial and Quantitative Analysis, Financial Analysts Journal, Financial Management, Journal of Portfolio Management and the likes for their chosen research topic. Useful web sites are: www.ssrn.com, www.jstor.org.

GRADING COMPONENTS

Grading Scheme and Due Dates

1	Research Topic Submission	Before 5th February	
2	List of Relevant Articles Submission	Before 12th February	
3	Individual Literature Review	Due Date: 26th February	10%
4**	Written Research proposal	Due Date: 12th March	15%
5*	In-Class Test	Due Date: 19th March	30%
6**	Research Paper - Group presentation	Due Date: April 2nd	15%
7**	Research Paper - Submission of Group Final Written Report	Due Date: April 9th	30%

* The test will be based on material covered in the lectures and from assigned readings.

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

***Please note that final grades are subject to the dean's approval.

Group Research Project

An important objective of this course is to provide students with 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 instructor, conduct a literature search and identify about 20 relevant papers relating to the topic. Your group should seek approval of the topic from the professor by email as soon as possible and before **Feb 5th**. Once approval has been granted, you will then identify and compile a list of the relevant literature. The list of papers should be sent to the Professor **by noon of Feb 12th**. The group leader would then interact with the instructor 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 (5 pages, double-spaced). This individual assignment is to be submitted in hard copies for grading by **noon of 26th February** (copies to be submitted at DT1715). 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 12th** (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 professor. Besides, a formal meeting between the professor and all members of each group will be conducted on **March 5th** to assess the group's progress and discuss any issues that the group might be facing (an email with the exact time of your meeting will be sent in due course, all members of each group are required to attend the meeting). Each group will submit hard copies of the research proposal and the research plan to the professor for grading **by March 12th at noon or earlier** (copies to be submitted at DT1715).

The period from **March 12th through April 2nd** will be devoted to completing the research (econometric estimation, analysis of results, etc). A TA will be available to assist you with data search/collection. You can request a 15mn-20mn meeting with the TA on **March 12th** would you need assistance with data search. Each group will present the research report to the class on **April**

2nd. It is imperative that every one attends the lecture/presentation on week 12 (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 9 (or earlier). It should be submitted to the professor **both in hard copies (at DT1715) and soft copies**. Please retain a hard copy of all work that will be submitted in this course.

There will be an in class exam on **Thursday March 19th**. 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 two week period due to the large size of the class and test papers will be returned in the last class.*

Tentative Schedule & Readings

Week #	Date	Topic	Readings Assigned. Details of additional readings (if needed) will be provided in due course
1	Jan 8	Mechanics of Writing a Research Paper	
2	Jan 15	Risk Return Models, Event Study Methodology Review of some statistical tests; Available Data bases	Assigned Readings
3	Jan 22	Corporate Governance	Assigned Readings
4	Jan 29	Initial Public Offerings	Assigned Readings
5	Feb 5	Mergers and Acquisitions	Assigned Readings
6	Feb 12	Behavioral Corporate Finance	Assigned Readings
	Feb16-22	Winter Break	
7	Feb 26	Meet with your group members to discuss the research proposal, no class	
8	Mar 5	Group (10-15 minutes) meeting with the Professor during class time to discuss your proposed research project;	The exact meeting time for your group will be sent to you in due course
9	Mar 12	Submission of Research proposal (March 12th) Training on data base usage (contact the TA)	Training on data base usage (contact the TA)
10	Mar 19	In-Class Test (March 19)	
11	Mar 26	Meet with your group members to finalize the analysis of your results- no class	
12	April 2	Final Group presentations (in class)	
	April 9	Submission of Final Research Project	

		(April 9th at noon)	
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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 can not 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 _____

	Group Member Name (excluding your own)	INDIVIDUAL LITERATURE REVIEW (OUT OF 5)	OVERALL PARTICIPATION IN THE RESEARCH PROJECT (out of 5)
1.			
2.			
3.			
4.			

Comments of any:

List of Readings

Readings for Session 1: Mechanics of Writing a Research Paper

Wong, Paul, “Excerpts from “How to Write a Research Proposal”, Trinity Western University, Canada

Cochrane, John, “Writing Tips for Ph.D Students”, University of Chicago, 2005.

Readings for Session 2: Risk-Return Models and Event Study Methodology

S. P Kothari and Jerold B. Warner, “Econometrics of Event Studies”, Working Paper, Tuck School of Business at Dartmouth, 2004.

Charles J. Corrado, "A non-Parametric test for Abnormal Security- Price Performance in Event Studies", Journal of Financial Economics, 1989, pp. 385-395.

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 3 - Corporate Governance

Lin, Dan; Hsien-Chang Kuo; Lie-Huey Wang, “Chief Executive Compensation: An empirical study of fat cat”, International Journal of Business & Finance Research 2013, Vol. 7 Issue 2, p27-42. 16p.

Vijay Jog and Shantanu Dutta, “Searching for the Governance Grail”, Canadian Investment Review, Spring 2004, pp.33-43.

John Byrd, Robert Parrino and Gunnar Pritsch, “Stockholder-manager Conflicts and Firm Value”, Financial Analysts Journal, May/June 1998, pp. 14-30

Stuart Gillan and Laura T. Starks, “Corporate governance proposals and shareholder activism: the role of institutional investors”, Journal of Financial Economics, 2000, Issue 2 pp. 275-305.

Akhibe, Aigbe; Madura, Jeff. “Impact of anti-takeover amendments on corporate performance”, Applied Financial Economics. Dec96, Vol. 6 Issue 6, p519-529. 11p.

Readings for Session 4 – Initial Public Offerings

Ragupathy, M. B., Initial Public Offering: a critical review of literature, Journal of Behavioral Finance. 2011, Vol. 8 Issue 1, p41-50. 10p.

Ritter J. R. and I. Welch, A Review of IPO activity, pricing, and allocations, Journal of Finance, 2002, Vol. 57, Issue 4, p1795-1828.

J. R. Ritter, The Long-run Performance of Initial Public Offerings, Journal of Finance, 1991, pp. 3-27.

Brau J.C. and S.E. Fawcett, Initial Public Offerings: An Analysis of Theory and Practice, *Journal of Finance*, Vol. LXI, NO. 1, February, 2006, pp. 399-436.

Bharat A. Jain and Omesh Kini, The Post-Operating Performance of IPO Firms, *Journal of Finance*, Vol. XLIX, #5, December 1994, pp. 1699-1726.

Vijay M. Jog, and A. Srivastava, The Mixed Results of Canadian IPOs, *Canadian Investment Review*, Winter, 1997/98, pp. 23-27.

Readings for Session 5 - Mergers and Acquisitions

Berkovitch, E., and M.P Narayanan, 1993, Motives for Takeovers, An Empirical Investigation, *Journal of Financial and Quantitative Analysis*, 28, 347-362

Matthew L.A. Hayward and Donald C. Hambrick, “Explaining Premiums Paid for Large Acquisitions: Evidence of CEO Hubris”, *Administrative Science Quarterly*, 1997, pp. 103-127

B. Espen Eckbo and Karin S. Thorburn, “Gains to Bidder Firms Revisited: Domestic and Foreign Acquisitions in Canada”, *Journal of Financial and Quantitative Analysis*, March 2000, pp. 1-25.

Sara B. Moeller, F.P. Schlingemann and R.M. Stulz, “Wealth Destruction on a Massive scale? A study of Acquiring firms returns in the recent merger wave”, *Journal of Finance*, Vol. LX, April 2005, pp. 757-782.

Readings for Session 6: Behavioral Corporate Finance

Shefrin, Hersh “Behavioral Corporate Finance”, *Journal of Applied Corporate Finance* 14:3, 2001.

Morck, Randall, 2008, “Behavioral Finance in Corporate Governance: economics and ethics of the devil’s advocate” *Journal of management & Governance* 12:2, 179-200.

Cronqvist, Henrik, Anil K. Makhija, and Scott E. Yonker, “Behavioral consistency in corporate finance: CEO personal and corporate leverage”, *Journal of Financial Economics* 2012 V 103, Issue 1, 2012, Pages 20–40

Baker, Malcolm, Pan, Xin and Wurgler, Jeffrey, “The effect of reference point prices on mergers and acquisitions” , 2012 V 106, Issue 1, pp 49-71.

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.

	<u>Signature of student</u> <u>Everyone must sign to receive a grade</u>
Student Name Student ID	
Due Date	
Date and hour received, if late	
Penalty for delay, if applicable	

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.

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 deadline for examination accommodation arrangements..

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.

Winter Term 2015

January 5

Winter-term classes begin. [Late Charges](#) now apply.

January 16

Last day for registration for winter term courses.

Last day to change courses or sections (including auditing) for winter term courses.

Students who have not deposited (via automated upload) the final copy of their thesis to the office of the Faculty of Graduate and Postdoctoral Affairs must register.

January 31

Last day for a [fee adjustment](#) when withdrawing from Winter term courses or the Winter portion of two-term courses. Withdrawals after this date will create no financial change to Winter term fees (financial withdrawal).

February 13

April examination schedule available online.

February 13-21

Fall-term deferred examinations will be held

February 16

Statutory holiday, University closed.

February 16-20

Winter Break. Classes are suspended.

March 1

Last day for UHIP refund applications for International Students who will be graduating this academic year.

Last day for receipt of applications from potential spring (June) graduates.

March 6

Last day to submit, to the Paul Menton Centre for Students with Disabilities, Formal Examination Accommodation Forms for April examinations.

Late March (Date TBA)

[Last day to pay any remaining balance on your Student Account](#) to avoid a hold on access to marks through Carleton Central and the release of transcripts and other official documents. An account balance may delay Summer 2014 course selection.

April 3

Statutory holiday, University closed.

April 8

Last day of fall/winter and winter-term classes.

Last day for academic withdrawal from fall/winter and winter-term courses.

Last day for handing in term work and the last day that can be specified by a course instructor as a due date for term work for fall/winter and winter-term courses.

April 9-10

No classes or examinations take place

April 11-23

Final examinations in winter term and fall/winter courses may be held. Examinations are normally held all 7 days of the week.

June 8-18 (including Saturdays)

Fall/winter and winter term deferred final examinations will be held.