



**Carleton University  
Sprott School of Business**

**BUSI 4500 A & B  
Advanced Corporate Finance  
Winter 2014**

**Course Information:**

**Lecture Location and Lecture Time:**

Section A: Tory Building 446: **Wednesday** 8:35 am - 11:25 am

Section B: Southam Hall 502: **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	Wed: 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 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 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

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](http://www.ssrn.com), [www.jstor.org](http://www.jstor.org).

## GRADING COMPONENTS

### Grading Scheme and Due Dates

1	Research Topic Submission	<b>Before 24<sup>th</sup> January</b>	
2	List of Relevant Articles Submission	<b>Before 31<sup>st</sup> January</b>	
3	Individual Literature Review	Due Date: 14 <sup>th</sup> February	10%
4**	Written Research proposal	Due Date: 12 <sup>th</sup> March	15%
5*	In-Class Test	Due Date: 19 <sup>th</sup> 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 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 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 **Jan 24<sup>th</sup>**. 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 Jan 31<sup>st</sup>**. 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. This individual assignment is due for grading by **noon of 14<sup>th</sup> 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 14<sup>th</sup> and March 12<sup>th</sup>** (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. Each group will submit the research proposal and the research plan to the professor for grading **by March 12<sup>th</sup> or earlier**.

The period from **March 12<sup>th</sup> through April 2<sup>nd</sup>** will be devoted to completing the research (econometric estimation, analysis of results, etc). Each group will present the research report to the class on **April 2<sup>nd</sup>**. It is imperative that every one attends the lecture/presentation the week beginning April 1st. 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 in room DT 1715.

There will be an in class exam on **Wednesday March 19<sup>th</sup>**. 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 1st.*

## Tentative Schedule & Readings

Week of	Topic	Readings Assigned. Details of additional readings (if needed) will be provided in due course
Jan 6	Risk return models, Event analysis Review of some statistical tests; Available Data bases	Assigned Readings
Jan 13	Corporate Governance	Assigned Readings
Jan 20	Capital Structure	Assigned Readings
Jan 27	Dividend Policy	Assigned Readings
Feb 3	Initial Public Offerings	Assigned Readings
Feb 10	Mergers and Acquisitions	Assigned Readings
Feb 17	Winter Break	
Feb 24	Group (10-15 minutes) meeting with the Professor during class time to discuss your proposed research project;	
Mar 3	Training on data base usage (contact the TA)	Training on data base usage (contact the TA)
Mar 10	Submission of Research proposal (March 12th )	
Mar 17	<b>In-Class Test (March 19)</b>	
Mar 24	Project work- no class	
Mar 31	Final Group presentations (in class)	
April 7	Submission of Final Research Project <b>(April 9<sup>th</sup> at noon)</b>	

## 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 \_\_\_\_\_

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

Comments of any:

## List of Readings

### Readings for Session 1: 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 2 - Corporate Governance

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

Kose John and Lemma Senbet, "Corporate Governance and Board Effectiveness", Journal of Banking and Finance, May 1998, pp. 371-404.

Stuart Gillian and Laura T. Starks, "A Survey of Shareholder Activism: Motivation and Empirical Evidence", Contemporary Finance Digest, Autumn 1998, pp. 10-34.

Scott C. Linn and John J, McConnell, "An empirical Investigation of the Impact of "Antitakeover" Amendments on Common Stock Prices", Journal of Financial Economics, 1983, pp. 361-399. Read especially section 4.

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

Marco Becht, Patrick Bolton, and Ailsa Roell, "Why bank governance is different", Oxford Review of Economic Policy, Volume 27, Number 3, 2011, pp. 437-463.

John C. Coffee, 2005, A theory of corporate scandals: why the USA and Europe differ, Oxford Review of Economic Policy, 21: 2.

### Readings for Session 3: Capital Structure

Frydenberg, Stein, "Theory of Capital Structure – a Review", 2011, Available at SSRN: <http://ssrn.com/abstract=556631>

Bancel, Franck and Mitto Usha, "Cross-country Determinants of Capital Structure Choice: A Survey of European Firms, 33:4, 2004, 103-132.

Rajan, Raghuram, and Luigi Zingales, "What do we know about capital structure? Some evidence from international data", Journal of Finance 50, 1995, 1421-1460.

Frank, M. and V. Goyal, "Testing the Pecking Order Theory of Capital Structure", Journal of Financial Economics, 67, 2003, 217-248.

Talberg, Magnus, Winge, Christian, **Frydenberg**, Stein Westgaard, Sjur, Capital Structure Across Industries, International Journal of the Economics of Business. Jul2008, Vol. 15 Issue 2, p181-200

### Readings for Session 4: Dividend Policy

Miller, M. H., and F. Modigliani, “Dividend Policy, Growth and the valuation of Shares”, *Journal of Business*, October 1961, 411-433.

David J. Denis and Igor Osobov, 2008. Why do firms pay dividends? International evidence on the determinants of dividend policy, *Journal of Financial Economics* 89 (2008) 62– 82

Baker Kent, Bin Chang, Shantanu Dutta and Samir Saadi, 2012. Why Firms Do Not Pay Dividends: The Canadian Experience, *Journal of Business Finance & Accounting*, 39(9) & (10), 1330–1356, November/December 2012

Brav, A., J. Graham, C. Harvey, and R. Michaely, “Payout Policy in the 21<sup>st</sup> Century”, Working paper, Duke University, 2003.

Ali Fatemi, Recep Bildik, 2012, Yes, dividends are disappearing: Worldwide evidence *Journal of Banking & Finance* 36 (2012) 662–677.

### **Readings for Session 5 – Initial Public Offerings**

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

Tim Loughran and J. Ritter, The New issues Puzzle, *Journal of Finance*, 1995, 23-51.

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.

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.

### **Readings for Session 6 - Mergers and Acquisitions**

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

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.

### **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	
Student Name Student ID	
Student Name Student ID	
Student Name Student ID	
<b>Due Date</b>	
<b>Date and hour received, if late</b>	
<b>Penalty for delay, if applicable</b>	

**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 (1<sup>st</sup> 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](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.

## Winter Term 2014

<b>Date</b>	<b>Activity</b>
January 2, 2014	University re-opens.
January 6, 2014	Winter-term classes begin.
January 17, 2014	Last day for registration for winter term courses. Last day to change courses or sections (including auditing) for winter term courses.
January 31, 2014	Last day for withdrawal from winter term and winter portion of fall/winter courses with full fee adjustment.
February 1, 2014	Last day for receipt of applications for admission to the Bachelor of Architectural Studies and the Bachelor of Social Work degree programs for the fall/winter session.
February 14, 2014	April examination schedule available online.
February 14-22, 2014	Fall-term deferred examinations will be written.
February 17, 2014	Statutory holiday. University closed.
February 17-21, 2014	Winter Break, no classes.
March 1, 2014	Last day for receipt of applications from potential Spring (June) graduates. Last day for receipt of applications to the Bachelor of Humanities, Bachelor of Industrial Design, Bachelor of Information Technology (Interactive Multimedia and Design), Bachelor of Journalism, and the Bachelor of Music degree program for the fall/winter session. Last day for receipt of applications for admission to a program for the summer term.
March 7, 2014	Last day to submit, to the Paul Menton Centre for Students with Disabilities, Formal Examination Accommodation Forms for April examinations.
March 25, 2014	Last day for tests or examinations in courses below the 4000-level before the final examination period (see Examination Regulations in the Academic Regulations of the University section of this Calendar).
April 1, 2014	Last day for receipt of applications for admission to an undergraduate degree program for the fall/winter session, from candidates whose documents originate outside Canada or the United States, except for applications due February 1 or March 1.
April 8, 2014	Winter term ends. 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, 2014	No classes or examinations take place.
April 11-26, 2014	Final examinations in winter term and fall/winter courses may be held.

<b>Date</b>	<b>Activity</b>
	Examinations are normally held all seven days of the week. Please note that examinations will not be held on April 18-20.
April 15, 2014	Winter Co-op Work Term Reports are due.
April 18, 2014	Statutory holiday, University closed.
April 26, 2014	All take home examinations are due on this day.
May 1, 2014	Last day for receipt of applications for internal degree transfers to allow for registration for the summer session.
June 1, 2014	Last day for receipt of applications for admission to an undergraduate program for the fall/winter session from mature applicants, from those presenting post-secondary education qualifications and from those transferring from other universities in Canada or the United States, and from applicants with high school qualifications from Canada and the United States, except for applications due March 1.
June 9-19, 2014	Fall/winter and winter term deferred final examinations will be held.
June 15, 2014	Last day for receipt of applications for internal degree transfers to allow for registration for the 2013-2014 fall/winter session.