



**Carleton University  
Sprott School of Business**

**BUSI 4500 A & B  
Advanced Corporate Finance  
Winter 2018**

**Course Information:**

**Lecture Location and Lecture Time:**

Section A: Southam Hall 515, **Friday** 8:35 am - 11:25 am

Section B: Southam Hall 515, **Friday** 11:35 am - 14:25 pm

|                   |                                  |
|-------------------|----------------------------------|
| Course Instructor | Sana Mohsni                      |
| Phone, Room #     | (613) 520 -2600 ext 2991; DT1715 |
| E-Mail            | sana_mohsni@carleton.ca          |
| Office Hours      | Friday: 3 pm – 4:30 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 higher in each). 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](http://www.ssrn.com), [www.jstor.org](http://www.jstor.org).

## GRADING COMPONENTS

### Grading Scheme and Due Dates

|     |   |  |     |
|-----|---|--|-----|
| 1   | Research Topic Submission                                 | <b>Before 2<sup>nd</sup> February</b>  |     |
| 2   | List of Relevant Articles Submission                      | <b>Before 12<sup>th</sup> February</b>   |     |
| 3   | Weekly Articles Review                                    | <b>Jan 26<sup>th</sup> , Feb 2<sup>nd</sup>, 9<sup>th</sup>, 16<sup>th</sup></b> | 10% |
| 4   | Individual Literature Review                              | <b>Due Date: 26<sup>th</sup> February</b>  | 5%  |
| 5** | Written Research proposal                                 | <b>Due Date: 9<sup>th</sup> March</b>  | 15% |
| 6*  | In-Class Test   | <b>16<sup>th</sup> March</b>   | 30% |
| 7** | Research Paper - Group presentation                       | <b>April 6<sup>th</sup></b>  | 10% |
| 8** | Research Paper - Submission of Group Final Written Report | <b>Due Date: April 11<sup>th</sup></b>   | 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 2<sup>nd</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 Feb 12<sup>th</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 (5 pages, double-spaced). This individual assignment is to be submitted in hard copies for grading by **noon of 26<sup>th</sup> 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 12<sup>th</sup> and March 9<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. Besides, a formal meeting between the professor and all members of each group will be conducted on **March 2<sup>nd</sup>** 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 9<sup>th</sup> at noon or earlier** (copies to be submitted at DT1715).

The period from **March 9<sup>th</sup> through March 30<sup>th</sup>** 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 9<sup>th</sup>** would you need assistance with data search. Each group will present the research report to the class on **April 6<sup>th</sup>**. It is imperative that every one attends the lecture/presentation on week 12 (April 6th). 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 11** (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 **Friday March 16<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 two week period due to the large size of the class and test papers will be returned in the last class.*

### **Tentative Schedule & Readings**

| <b>Week #</b> | <b>Date</b> | <b>Topic</b>  | <b>Readings</b><br>Assigned. Details of additional readings (if needed) will be provided in due course |
|---------------|-------------|---|--|
| 1             | Jan 12      | Mechanics of Writing a Research Paper   |  |
| 2             | Jan 19      | Risk Return Models, Event Study Methodology<br>Review of some statistical tests;<br>Available Data bases      | Assigned Readings  |
| 3             | Jan 26      | Corporate Governance  | Assigned Readings  |
| 4             | Feb 2       | Initial Public Offerings  | Assigned Readings  |
| 5             | Feb 9       | Mergers and Acquisitions  | Assigned Readings  |
| 6             | Feb 16      | Behavioral Corporate Finance  | Assigned Readings  |
|               | Feb19-23    | Winter Break  |  |
| 7             | Mar 2       | 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                                |
| 8             | Mar 9       | Submission of Research proposal (DT1715), no class  |  |
| 9             | Mar 16      | <b>In-Class Test (March 16th)</b>   |  |
| 10            | Mar 23      | Training on data base usage (contact the TA   | Training on data base usage (contact the TA)   |
| 11            | Mar 30      |   | No Class Stat Holiday – University closed  |
| 12            | April 6     | Final Group presentations (in class)  |  |
| 13            | April 11    | Submission of Final Research Project ( <b>April 11<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 9 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<br/>(excluding your own)</b> | <b>INDIVIDUAL<br/>LITERATURE<br/>REVIEW (OUT<br/>OF 5)</b> | <b>OVERALL PARTICIPATION IN<br/>THE RESEARCH PROJECT<br/>(out of 5)</b> |
|----|---|--|---|
| 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.

Signature of student

Everyone must sign to receive a grade

Student Name

Student ID

Student Name

Student ID

Student Name

Student ID

Student Name

Student ID

**Due Date**

**Date and hour received, if late**

**Penalty for delay, if applicable**



## IMPORTANT ADDITIONAL INFORMATION

### **Course Sharing Websites**

Materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).

### **Required calculator in BUSI course examinations**

If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII

### **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. 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.

In accordance with the Carleton University Undergraduate Calendar (p 34), the letter grades assigned in this course will have the following percentage equivalents:

|              |             |             |             |
|--------------|-------------|-------------|-------------|
| A+ = 90-100  | B+ = 77-79  | C+ = 67-69  | D+ = 57-59  |
| A = 85-89    | B = 73-76   | C = 63-66   | D = 53-56   |
| A - = 80-84  | B - = 70-72 | C - = 60-62 | D - = 50-52 |
| F = Below 50 |             |             |             |

Grades entered by Registrar:

WDN = Withdrawn from the course

DEF = Deferred

### **Academic Regulations, Accommodations, Etc.**

University rules regarding registration, withdrawal, appealing marks, and most anything else you might need to know can be found on the university's website, here:

<http://calendar.carleton.ca/undergrad/regulations/academicregulationsoftheuniversity/>

### **Requests for Academic Accommodations**

*For Students with Disabilities:*

The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or [pmc@carleton.ca](mailto:pmc@carleton.ca) for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your **Letter of Accommodation** at the beginning of the term, and no later than two

weeks before the first in-class scheduled test or exam requiring accommodation (*if applicable*). **Requests made within two weeks will be reviewed on a case-by-case basis.** After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website ([www.carleton.ca/pmc](http://www.carleton.ca/pmc)) for the deadline to request accommodations for the formally-scheduled exam (*if applicable*).

#### *For Religious Obligations:*

Students requesting academic accommodation on the basis of religious obligation 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 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 and instructors can confirm accommodation eligibility of a religious event or practice by referring to the Equity Services website (<http://carleton.ca/equity/accommodation/religious-observances/>) for a list of holy days and Carleton's Academic Accommodation policies. If there are any questions on the part of the student or instructor, they can be directed to an Equity Services Advisor in the Equity Services Department for assistance.

#### *For 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**

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another's ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include; a grade of Failure on the submitted work and/or course; academic probation; a refusal of permission to continue or to register in a specific degree program; suspension from full-time studies; suspension from all studies at Carleton; expulsion from Carleton, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at: <https://carleton.ca/registrar/academic-integrity/>.

### **Sprott Student Services**

The Sprott student services office, located in 710 Dunton Tower, offers academic advising, study skills advising, and overall academic success support. If you are having a difficult time with this course or others, or just need some guidance on how to successfully complete your Sprott degree, please drop in any weekday between 8:30am and 4:30pm. Our advisors are happy to discuss grades, course selection, tutoring, concentrations, and will ensure that you get connected with the resources you need to succeed! <http://sprott.carleton.ca/students/undergraduate/learning-support/>

### **Centre for Student Academic Support**

The Centre for Student Academic Support (CSAS) is a centralized collection of learning support services designed to help students achieve their goals and improve their learning both inside and outside the classroom. CSAS offers academic assistance with course content, academic writing

and skills development. Visit CSAS on the 4th floor of MacOdrum Library or online at: [carleton.ca/csas](http://carleton.ca/csas).

**Important Information:**

- Students must always retain a hard copy of all work that is submitted.
  - All final grades are subject to the Dean's approval.
  - For us to respond to your emails, we need to see your full name, CU ID, and the email must be written from your valid CARLETON address. Therefore, in order to respond to your inquiries, please send all email from your Carleton CMail account. If you do not have or have yet to activate this account, you may wish to do so by visiting <http://carleton.ca/ccs/students/>
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