



Carleton
UNIVERSITY

SPROTT
SCHOOL OF BUSINESS

Carleton University
Sprott School of Business

BUSI 4500 B
Advanced Corporate Finance
Winter 2020

Course Information:

Lecture Location and Lecture Time:

Section B: CB 3101, **Tuesday** 14:35 - 17:25

Course Instructor	Sana Mohsni
Phone, Room #	(613) 520 -2600 ext 2991; DT1715
E-Mail	sana_mohsni@carleton.ca
Office Hours	Thursday: 4 pm – 5:30 pm

TA: TBA

Email: TBA

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, 2011. 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	Jan 28th	
2	List of Relevant Articles Submission	Feb 11th	
3	Weekly Articles Review	Jan 28th, Feb 4th, 11th, 25th	10%
4	Individual Literature Review	Due Date: Feb 25th	5%
5**	Written Research proposal	Due Date: March 10th	15%
6*	In-Class Test	March 17th	30%
7**	Research Paper - Group presentation	March 31st	10%
8**	Research Paper - Submission of Group Final Written Report	Due Date: April 7th	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).

Missing Tests/Deadlines

The only valid excuse for missing a test, including the midterm test, or a deadline is for medical reasons or death in the family and must be documented with a medical certificate. Any other reason (such as travel, etc...) will not be considered. If you miss the midterm tests or a deadline for a reason that is not deemed as legitimate, your mark will be zero, otherwise separate arrangements will be made.

Weekly Articles Review

Starting from the fourth session and until the seventh session inclusively, each student is expected to prepare and submit a soft copy (via CuLearn using at the appropriate assignment folder) of a 4-page review of 4 of the designated readings (articles) of that particular session. These reviews should comprise a synthesis (summary + some critical analysis of each article) and are to be submitted at the beginning of the class (first review is due at the beginning of the fourth class). All articles' references are listed in the course outline.

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 20-25 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 28th**. 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 11th**. 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 soft copies (via CuLearn using the appropriate assignment folder) for grading by **noon of Feb 25th**. Note that each day of delay would reduce your individual literature review mark by **10% 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 **Feb 25th and March 10th** (or earlier) the group will prepare a research proposal that shows the introduction and motivation for the study, a 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 group leader** of the group (this means the group needs to select/elect a group leader) 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 3rd** 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 both hard copies and soft copies of the research proposal and the research plan to the professor for grading **by March 10th at noon or earlier**

(soft copies are to be submitted at the appropriate assignment heading via CuLearn, hard copies are to be submitted at DT1715).

The period from **March 10th through March 31st** will be devoted to completing the research (econometric estimation, analysis of results, etc). Note that by **March 10th** you should have completed all data collection for your research project. Each group will present the research report to the class on **March 31st**. It is imperative that every one attends the lecture/presentation on week 12 (March 31st). 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 (and the marked proposal) is due **by noon of April 7th** (or earlier). It should be submitted to the professor **both in hard copies at DT1715 and soft copies using the appropriate assignment folder on CuLearn**. Please retain a hard copy of all work that will be submitted in this course.

There will be an in class exam on **Tuesday March 17th**. 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		
1	Jan 7	Mechanics of Writing a Research Paper	Assigned Readings
2	Jan 14	Risk Return Models, Event Study Methodology Review of some statistical tests; Available Data bases	Assigned Readings
3	Jan 21	Risk Return Models, Event Study Methodology Review of some statistical tests; Available Data bases	Assigned Readings
4	Jan 28	Initial Public Offerings	Assigned Readings
5	Feb 4	Mergers and Acquisitions	Assigned Readings
6	Feb 11	Corporate Governance	Assigned Readings
	Feb 17-23	Winter Break	
7	Feb 25	Behavioral Corporate Finance	Assigned Readings
8	Mar 3	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 10	All data collection should be finalized on this week; Submission of Research proposal (a soft copy via CuLearn and a hard copy at DT1715) - no class	
10	Mar 17	In-Class Test (during regular class time)	
11	Mar 24	Meet with your group members to finalize the analysis of your results- no class	
12	Mar 31	Final Group presentations (in class)	
13	April 7	Submission of Final Research Project (a soft copy via CuLearn and a hard copy at DT1715) (April 7th at noon), no class	

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 7 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: 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 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.

Chemmanur, T. and P. Fulghieri, 1999, "A Theory of the Going Public Decision," Review of Financial Studies, 12, 249-279.

Lyandres, Evgeny and Palazzo, Bernardino and Rabetti, Daniel, Are Tokens Securities? An Anatomy of Initial Coin Offerings (November 18, 2018). Available at SSRN: <https://ssrn.com/abstract=3287583> or <http://dx.doi.org/10.2139/ssrn.3287583>

Felix, Thijn, Underpricing in the Cryptocurrency World: Evidence from Initial Coin Offerings (June 1, 2018). Available at SSRN: <https://ssrn.com/abstract=3202320> or <http://dx.doi.org/10.2139/ssrn.3202320>

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

Pagano, Panetta, and Zingales, 1998, "Why do companies go public? An Empirical Analysis," *Journal of Finance* 53, 27-64.

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

Fluck, Z., and A. W. Lynch, 1999, "Why do firms merge and then divest? A Theory of financial synergy," *Journal of Business* 72, 319-346..

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

Erel, I., R., Liao, and M., Weisbach, Determinants of cross-border merges and acquisitions, *Journal of Finance*, 2012, Vol 67, Issue 3, 1045-1082.

Ross, S and P. Volpin, Cross-country determinants of mergers and acquisitions, *Journal of Financial Economics*, 2004, Vol 74, Issue 2, 277-304.

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.

Rhodes-Kropf, M., and S. Viswanathan, 2002, "Market valuation and merger waves," Duke university working paper

Readings for Session 6 - 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.

Becht, M., P. Bolton, and A. Roell, 2011. Why bank governance is different, 2011, *Oxford Review of Economic Policy*, Vol 27, 3, p437-463.

Bhagat S., and B., Bolton, Corporate governance and firm performance, *Journal of Corporate Finance*, 2008, Vol 14, Issue 3, 257-273.

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.

Adams, R. and P. Funk, Beyond the glass ceiling: does gender matter? *Management Science*, 2012, Vol. 58, number 2,

Carter, A. B. Simkins, and W. Simpson, Corporate governance, board diversity and firm value, *The Financial Review*, 2003, Vol 38, Issue 1.

Brown, Lawrence D. and Caylor, Marcus L., Corporate Governance and Firm Performance (December 7, 2004). Available at SSRN: <https://ssrn.com/abstract=586423> or <http://dx.doi.org/10.2139/ssrn.586423>

Readings for Session 7: Behavioral Corporate Finance

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

Hackbarth, D., Managerial traits and capital structure decisions, *Journal of Financial and Quantitative Analysis*, 2008, Vol 43, Issue 4, 843-881.

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

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

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 Accommodation

You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:

Pregnancy obligation

Please contact your instructor 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. For more details, visit the Equity Services website: carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf

Religious obligation

Please contact your instructor 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. For more details, visit the Equity Services website: carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf

Academic Accommodations for Students with Disabilities

If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or pmc@carleton.ca for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with your instructor as soon as possible to ensure accommodation arrangements are made. carleton.ca/pmc

Survivors of Sexual Violence

As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and its survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: carleton.ca/sexual-violence-support

Accommodation for Student Activities

Carleton University recognizes the substantial benefits, both to the individual student and for the university, that result from a student participating in activities beyond the classroom experience. Reasonable accommodation must be provided to students who compete or perform at the national or international level. Please contact your instructor 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. <https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf>

For more information on academic accommodation, please contact the departmental administrator or visit: students.carleton.ca/course-outline

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.

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 <https://carleton.ca/its/get-started/new-students-2/>
-