FINM8004
Advanced Corporate Finance

Course Description
This course introduces students to the academic research in corporate finance. Corporate finance theory deals with the roles of corporate in the capital market and the interactions between investors, managers, regulators and other stakeholders. The objectives of this course are to learn the theories of corporate finance, analyze the research questions, and critically evaluate the academic papers.

This course focuses on selected classic and contemporary theoretical and empirical academic papers and provides students with an advanced and rigorous background in mainstream issues in modern corporate finance research.

At the end of the seminar, it is expected that the students have developed an appreciation of the role of theory in corporate finance research, an in-depth knowledge of the research methods and philosophies employed in researching a wide range of corporate finance problems and issues, and an ability to critically analyze, and evaluate the literature in corporate finance.

Semester and Year  Semester 1, 2016
Course URL  http://programsandcourses.anu.edu.au/course/FINM8004
Mode of Delivery  On campus
Prerequisites  FINM7008, FINM7007, and FINM7041
Course Convener  Lili Dai
Phone:  6125 9341
Email:  Lili.Dai@anu.edu.au
Consultation hours:  Tuesday, 10:00 – 11:00 AM
Research interests  Corporate finance and financial accounting
Student Administrators  Maria Lander, maria.lander@anu.edu.au
COURSE OVERVIEW

Learning Outcomes

Upon successful completion of the requirements for this course, students will:

1. Have developed a framework for considering other corporate finance problems and issues.
2. Have the ability to develop and test corporate finance research questions and communicate the results.
3. Have the ability to critically analyze, and evaluate the corporate finance literature.

Assessment Summary

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Weighting (%)</th>
<th>Due Date</th>
<th>Return of Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Course Participation</td>
<td>10%</td>
<td>Weekly</td>
<td>N.A.</td>
</tr>
<tr>
<td>2 Critical Comments</td>
<td>15%</td>
<td>Weekly</td>
<td>TBA</td>
</tr>
<tr>
<td>3 Presentation</td>
<td>15%</td>
<td>One or two weeks in the semester</td>
<td>N.A.</td>
</tr>
<tr>
<td>4 Problem Set 1</td>
<td>10%</td>
<td>11 March 2016, Week 4</td>
<td>Week 7</td>
</tr>
<tr>
<td>5 Problem Set 2</td>
<td>10%</td>
<td>1 April 2016, Week 7</td>
<td>Week 12</td>
</tr>
<tr>
<td>6 Term paper</td>
<td>40%</td>
<td>20 May 2016, Week 12</td>
<td>N.A.</td>
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</tbody>
</table>

Research-Led Teaching

Based on selected classic and contemporary papers published in top academic journals, this course is to lead students to walk into the world of research in corporate finance, acquire the relevant knowledge from both theoretical and empirical perspectives, and develop important research capabilities with regard to communication, presentation, analysis, writing, and critical thinking.

Staff Feedback

Students will be given feedback in the following forms in this course: marks and verbal comments to the whole class, groups, and individuals.

Student Feedback

All CBE courses are evaluated using Student Experience of Learning and Teaching (SELT) surveys, administered by Planning and Statistical Services at the ANU. These surveys are offered online, and students will be notified via email to their ANU address when surveys are available in each course. Feedback is used for course development so please take the time to respond thoughtfully. Course feedback is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching and to improve courses across the university. For more information on student surveys at ANU and reports on feedback provided on ANU courses, visit:

http://unistats.anu.edu.au/surveys/selt/students/
and

http://unistats.anu.edu.au/surveys/selt/results/learning/

Policies

ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University’s academic standards, and implement them. You can find the University’s education policies and an explanatory glossary at:

http://policies.anu.edu.au/

Students are expected to have read the Academic Misconduct Rules 2014 before the commencement of their course.

Other key policies include:
- Student Assessment (Coursework)
- Student Surveys and Evaluations

COURSE SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction, empirical method, and theory of the firm</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Capital structure</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>3</td>
<td>Capital structure</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>4</td>
<td>Equity and debt financing</td>
<td>Presentation/Comments/Problem Set 1 Due</td>
</tr>
<tr>
<td>5</td>
<td>Capital investment</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>6</td>
<td>Payout policy</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>7</td>
<td>Corporate governance and monitoring</td>
<td>Presentation/Comments/Problem Set 2 Due</td>
</tr>
<tr>
<td>8</td>
<td>Corporate governance and monitoring</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>9</td>
<td>Management compensation</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>10</td>
<td>International finance</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>11</td>
<td>Information disclosure</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>12</td>
<td>Other contemporary issues</td>
<td>Presentation/Comments/Term Paper Due</td>
</tr>
<tr>
<td>13</td>
<td>Presentation of term paper, and course revision</td>
<td>Term Paper Presentation</td>
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Assessment Requirements

Assessment Task 1: Course Participation (10%)
Details of task:
Students are required to attend all the lectures. Active class participation is encouraged and marked.

Assessment Task 2: Critical Comments (15%)
Details of task:
Due Date | Each week, there will be a task for making comments on a paper. This is to be done by Monday of the week.
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Instructions | 1. Critical comments are to be done by group.
2. Students will send their critical comments on the paper, which is being presented by fellow students, to lecturer by email.
3. For the students who are presenting a paper in that week, they do not need to send their comments to lecturer.
4. You may evaluate the paper’s weaknesses. For example, how would you improve the paper if you were the authors in terms of motivation, contribution, research design, theory and other aspects?
5. Word limit for all the comments on each paper (not including references): 300.
Purpose | To develop the ability of critical thinking.
Marking Criteria | Depth and quality of comments.
Returned assignments | Marks on comments will be informed for two times on request in week 7 and week 12.

Assessment Task 3: Presentation (15%)
Details of task:
Due Date | Each week, there will be a student presentation in class time on Wednesday.
--- | ---
Instructions | 1. Presentations are to be done by group.
2. Students are required to summarize and evaluate an academic paper.
Purpose | To practice presentation skills and apply knowledge learnt in class in dissecting new research.
Marking Criteria | Accuracy and depth of analysis, and quality of presentation.
Returned assignments | Marks on presentations will be informed on request in week 12.

Assessment Task 4: Problem Sets (20% - 10% for each problem set)
Details of task:
Due Date | See Assessment Summary.
--- | ---
Instructions | 1. Problem sets are to be done by group.
2. Content of problem set 1 (subject to changes): to reproduce Table 1, Table 2, and Figure 1 in Frank, and Goyal (JFE 2003), from which the sample for analysis is ended in 1989.
Assessment Task 5: Term Paper - Equivalent for Final Exam (40%)

Details of task:

<table>
<thead>
<tr>
<th>Due Date</th>
<th>See Assessment Summary.</th>
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</table>
| Instructions | 1. Term Papers are to be done INDIVIDUALLY.  
2. Paper should include research question, motivation for the question, incremental contribution that the paper will make to extant literature, sample selection, and research design.  
3. In week 13, students will make brief presentations of their own papers.  
| Purpose | To come up with an interesting research idea, and write a relevant research proposal. |
| Marking Criteria | Originality of research idea, relevance of theoretical development, and quality of writing and research design. |

Critical comments, problem sets and term paper are to be submitted via email: Lili.Dai@anu.edu.au. Please keep a copy of tasks completed for your records.

Extensions and Penalties

Late submission will NOT be accepted, which will result in a score of zero for the assessment task.

Scaling

Your final mark for the course will be based on the raw marks allocated for each assignment or examination. However, your final mark may not be the same number as produced by that formula, as marks may be scaled. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed or equal the scaled mark of that student), and may be either up or down.

Support for Students
The University offers a number of support services for students. Information on these is available online from http://students.anu.edu.au/studentlife.

**Announcements**

Students are expected to check the Wattle site for announcements about this course, e.g., changes to timetables or notifications of cancellations. Wattle (https://wattle.anu.edu.au) is the University's online learning environment. Log on to Wattle using your student number and your ISIS password.

**Referencing Requirements**

There are no prescribed texts for this course. Instead, the course will cover a series of papers which are available on-line (see next section - Reading List).

**READING LIST**

*(Papers to be presented and commented by students are marked with *)

**Lecture 1: Instruction, empirical method, and theory of the firm**

*Nexus of Contracts*


*Property Rights Theory*


*Nature of Firm*


*Empirical Work*


**Lecture 2: Capital structure**

*Miller-Modigliani Theory*


*Capital Structure Puzzle*


*Deviations from MM Theory - Effects of Taxes*

Deviations from MM Theory - Effects of Managerial Agency Costs


Deviations from MM Theory - Effects of Product Market Competition


Lecture 3: Capital structure (continued)

Deviations from MM Theory - Effects of Financial Distress


Deviations from MM Theory - Effects of Information Asymmetry


Static Tradeoff Models versus Pecking Order Hypothesis


Behavioral Approaches


Lecture 4: Equity and debt financing

Initial public offering


Seasoned equity offering


Loan Market


Lecture 5: Capital investment

Corporate investment


Malmendier, Ulrike, and Geoffrey Tate, 2005, CEO Overconfidence and Corporate Investment, Journal of Finance 60, 2661-2700.

Merger and acquisition


R&D expense and innovation


Lecture 6: Payout policy

Survey evidence


Catering theory


Dividend taxes


Dividend and repurchase


Financial crisis and banking


Lecture 7: Corporate governance and monitoring
Board of directors


Large shareholder


Lecture 8: Corporate governance and monitoring (continued)

Anti takeover provision


Dual class


Media coverage


Culture and ethics


Creditor


Lecture 9: Management compensation

Determinants


Consequences

Core, John, Robert Holthausen, and David Larcker, 1999, Corporate Governance, Chief Executive Officer


Management Turnover


Lecture 10: International finance

Institutional difference


Merger and acquisition


Large shareholder


Lecture 11: Information disclosure

Survey evidence


Cost of capital


Capital investment


Corporate governance

Klein, April, 2002, Audit Committee, Board of Director Characteristics, and Earnings Management, Journal of Accounting and Economics 33, 375-400.

Nonfinancial disclosure
Lecture 12: Other contemporary issues

**Political factor**


**Gender**


**Religion**


**Environment**


**Appearance**