# Advanced Corporate Finance

<table>
<thead>
<tr>
<th><strong>Mode of Delivery</strong></th>
<th>On campus</th>
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<tbody>
<tr>
<td><strong>Prerequisites</strong></td>
<td>FINM7008, FINM7007, and FINM7041</td>
</tr>
<tr>
<td><strong>Incompatible Courses</strong></td>
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<tr>
<td><strong>Co-taught Courses</strong></td>
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<tr>
<td><strong>Course Convener-Lecturer:</strong></td>
<td>Nhan Le</td>
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<td>612 50702</td>
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<td><strong>Email:</strong></td>
<td><a href="mailto:Nhan.Le@anu.edu.au">Nhan.Le@anu.edu.au</a></td>
</tr>
<tr>
<td><strong>Office hours for student consultation:</strong></td>
<td>Tuesday, 10:00-11:00 AM - Office 3.02 (CBE Building)</td>
</tr>
<tr>
<td><strong>Research Interests</strong></td>
<td>Nhan Le’s current research interests are corporate bankruptcy, corporate policy and urban economics.</td>
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<tr>
<td><strong>Relevant administrator if any (optional):</strong></td>
<td>Maria Lander</td>
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**SEMESTER 1**

**2017**
COURSE OVERVIEW

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.

Learning Outcomes
Upon successful completion of the requirements for this course, students will obtain the knowledge and skills to:

- Develop a framework for considering contemporaneous corporate finance problems and issues.
- Have the ability to develop and test corporate finance research questions and communicate the results.
- Have the ability to critically analyze, and evaluate the corporate finance literature.

Assessment Summary

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Value</th>
<th>Due Date</th>
<th>Date for Return of Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Paper critiques</td>
<td>20%</td>
<td>Weekly</td>
<td>Week 6 and Week 12</td>
</tr>
<tr>
<td>2. Presentation</td>
<td>10%</td>
<td>TBA</td>
<td>Week 12</td>
</tr>
<tr>
<td>3. Replication project</td>
<td>20%</td>
<td>Week 6</td>
<td>Week 12</td>
</tr>
<tr>
<td>4. Term paper</td>
<td>50%</td>
<td>Week 12</td>
<td>TBA</td>
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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 relevant knowledge from both theoretical and empirical perspectives, and develop important research capabilities with regard to communication, presentation, analysis, writing, and critical thinking.
Feedback

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
ANU is committed to the demonstration of educational excellence and regularly seeks feedback from students. One of the key formal ways students have to provide feedback is through Student Experience of Learning Support (SELS) surveys. The feedback given in these surveys is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching, and opportunities for improvement.

For more information on student surveys at ANU and reports on the feedback provided on ANU courses, go to

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 Rule before the commencement of their course.

Other key policies include:

• Student Assessment (Coursework)
• Student Surveys and Evaluations

Communication

It is preferable to contact the lecturer via email (nhan.le@anu.edu.au)

Email When necessary, the lecturer for this course will contact students on their official ANU student email address.

Announcements Students are expected to check the Wattle site for announcements about this course, e.g. changes to timetables or notifications of cancellations. Notifications of emergency cancellations of lectures will be posted on the door of the relevant room.
### Recommended Resources

#### COURSE SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Summary of Activities</th>
<th>Assessment</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
<td>N.A.</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</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</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>8</td>
<td>Mergers and acquisition</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>9</td>
<td>Financial crisis</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>10</td>
<td>Corporate bankruptcy</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>11</td>
<td>Management compensation</td>
<td>Presentation/Comments</td>
</tr>
<tr>
<td>12</td>
<td>Presentation of term paper and course revision</td>
<td>Term Paper Due</td>
</tr>
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**ASSESSMENT REQUIREMENTS**

The ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University's approach to managing Academic Integrity. For additional information regarding Turnitin please visit the [ANU Online](https://www.anu.edu.au) website.

Students may choose not to submit assessment items through Turnitin. In this instance you will be required to submit, alongside the assessment item itself, copies of all references included in the assessment item.

### Assessment Tasks

**Assessment Task 1: Paper critiques**

**Details of task:** Each week, there will be a task for making comments on a paper. This is to be done by Monday of the week.

- Critical comments are to be done in groups and need to be sent to the lecturer by email.
- The reports should critically comment on the papers, evaluate the papers’ weaknesses and suggest how to improve the papers in terms of motivation, contribution, research design, theory and other aspects.
- For the students who are presenting a paper in that week, they do not need to send their comments to the lecturer.
Assessment Rubrics

**Word limit:** 300 words (not including references)

**Value:** 20%

**Presentation requirements:** The reports should be double-spaced, have a 12 point font.

**Estimated return date:** Marks on paper critiques will be informed in week 6 and week 12.

**Assessment Task 2:** Presentation

**Details of task:** Each week, there will be a student presentation in class. Presentations are to be done in groups. Students are required to summarize and evaluate an academic paper.

**Assessment Rubrics**

**Value:** 10%

**Estimated return date:** Verbal feedbacks will be provided weekly in classes. Marks on presentations will be informed on request in week 12.

**Assessment Task 3:** Replication project

**Details of task:** Replication project is to be done in groups and need to be sent to the lecturer by email. Students are required to replicate results of a top-journal article and answer one to two open-ended questions. The submission should include one mini report including necessary replication tables, figures, and data analysis and a description of sample construction procedure. Data will be provided in Wattle.

**Assessment Rubrics**

**Word limit** 1000 (not including references)

**Value:** 20%

**Presentation requirements:** The report should be double-spaced, have a 12 point font.

**Estimated return date:** Marks on the replication project will be informed, on request, on week 12.

**Assessment Task 4:** Term paper

**Details of task:** Term Papers are to be done INDIVIDUALLY and need to be sent to the lecturer by email. The report should include a research question, motivation for the question, contribution to extant literature, sample selection, and empirical research design. In week 12, students will make brief presentations of their own papers.

**Assessment Rubrics**

**Word limit:** 3500 words (not including references)

**Value:** 50%

**Presentation requirements:** The reports should be double-spaced, have a 12 point font.
Extensions and penalties

No submission of assessment tasks without an extension after the due date will be permitted. If an assessment task is not submitted by the due date, a mark of 0 will be awarded.

Scaling

Your final mark for the course will be based on the raw marks allocated for each of your assessment items. 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 the scaled mark of that student), and may be either up or down.

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 Please note that (***) indicates an empirical paper that will be presented and commented by students in class.

LECTURE 1: Introduction, empirical method and theory of the firm

Agency theory
Property right theory
Nature of the firm
Empirical work

LECTURE 2: Capital structure

Miller-Modigliani Theory
Capital Structure Puzzle
**Effects of Managerial Agency Costs**


**LECTURE 3: Capital structure**

**Market timing**

**Leverage puzzle**

**Cash holdings**

**Labor protection**


**LECTURE 4: Equity and debt financing**

**Initial public offering**

**Seasoned equity offering**

**Loan and debt Market**

**LECTURE 5: Capital investment**

**Investment and business cycles**

**Investment in nonprofit firms**

**Investment of public and private firms**

**Investment in multinational firms**

***4-Dougal, C.; Parsons, C. A. & Titman, S. Urban Vibrancy and Corporate Growth The Journal of Finance, 2015, 70, 163-210.***

**LECTURE 6: Payout policy**

**Payout policy during financial crisis**

**Financing payouts**

**Shares repurchase**

**Dividend tax**

LECTURE 7: Corporate governance

Board of director


Large shareholder


Anti takeover provision


Creditor control right


LECTURE 8: Mergers and Acquisition

Merger waves


Public and private mergers


Mergers and product market


Merger performance and CEO turnover


LECTURE 9: Financial crisis

Causes of financial crisis


Lessons leaned


**Employment**


**Financing**


**LECTURE 10: Corporate bankruptcy**

**Debt restructuring**


**Effects on employment**


**Bankruptcy laws**


**Spillover effects**


**LECTURE 11: Management compensation**

**Determinants**


**Say on pay laws**


**Evidence in financial industry**


**Consequences**


Privacy Notice

The ANU has made a number of third party, online, databases available for students to use. Use of each online database is conditional on student end users first agreeing to the database licensors terms of service and/or privacy policy. Students should read these carefully.

In some cases student end users will be required to register an account with the database licensor and submit personal information, including their: first name; last name; ANU email address; and other information.

In cases where student end users are asked to submit content to a database, such as an assignment or short answers, the database licensor may only use the students content in accordance with the terms of service including any (copyright) licence the student grants to the database licensor.

Any personal information or content a student submits may be stored by the licensor, potentially offshore, and will be used to process the database service in accordance with the licensors terms of service and/or privacy policy.

If any student chooses not to agree to the database licensors terms of service or privacy policy, the student will not be able to access and use the database. In these circumstances students should contact their lecturer to enquire about alternative arrangements that are available.

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/