## FINM8004
### 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>
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<tr>
<td><strong>Incompatible Courses</strong></td>
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<td><strong>Co-taught Courses</strong></td>
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<tr>
<td><strong>Course Convener-Lecturer:</strong></td>
<td>Nhan Le</td>
</tr>
<tr>
<td><strong>Phone:</strong></td>
<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 2**

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>Weekly from Week 2</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 11</td>
<td>TBA</td>
</tr>
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</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 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/self/students/ and http://unistats.anu.edu.au/surveys/self/results/learning/

Policies

ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the Universitys academic standards, and implement them. You can find the Universitys 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></td>
<td>Replication project Due</td>
<td></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></td>
<td>Term Paper Due</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Presentation of term paper and course revision</td>
<td>Term Paper Presentation</td>
</tr>
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Examination Period

ASSESSMENT REQUIREMENTS

As a further academic integrity control, students may be selected for a 15 minute individual oral examination of their written assessment submissions.

Any student identified, either during the current semester or in retrospect, as having used ghost writing services will be investigated under the Universitys Academic Misconduct Rule.

Assessment Tasks

Assessment Task 1: Paper critiques

Details of task: Each week from Week 2, 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 or extend 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 and include the number of word count on the cover page.

• All files need to be converted into PDF file.

• On the cover page, list out paper name, group No., the first name, last name and student ID of all members in your group.

• The file name should be: Critique - Week XX - Group XX.

• Subject title of the email should be: Critique submission - Week XX - Group XX.

Estimated return date: Verbal feedbacks will be provided in classes. 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. Presentation slides need to be sent to the lecturer on the date before the group presentation. All members need to participate in the presentation.

Assessment Rubrics

Value: 10%
Presentation requirements:

• The file name should be: Presentation - Group XX.

• Subject title of the email should be: Presentation submission - Group XX.

Estimated return date: Verbal feedbacks will be provided in classes. Marks on presentations will be informed 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 reports should be double-spaced, have a 12 point font and include the number of word count on the cover page.

- Cleaned dataset (which is used for regression) need to be sent to the lecturer together with the report.

- All files need to be converted into PDF file.

- On the cover page, list out paper name, group No., the first name, last name and student ID of all members in your group.

- The file name should be: Replication submission - Group XX.

- Subject title of the email should be: Replication submission - Group XX.

**Estimated return date:** Marks on the replication project will be informed in 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, hypothesis development, sample selection, and detailed empirical research design. In week 12, students will make brief presentations of their own papers.

Assessment Rubrics

**Word limit:** 3000 words (not including references)

**Value:** 50%

**Presentation requirements:**

- The reports should be double-spaced, have a 12 point font and include the number of word count on the cover page.

- All files need to be converted into PDF file.

- On the cover page, list out the term paper name, the first name, last name and student ID.

- The file name should be: Term paper submission - First-name Last-name - Student ID.

- Subject title of the email should be: Term paper submission - First-name Last-name - Student ID.

**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 online (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**
Povel, P.; Sertsios, G.; Kosova, R. & Kumar, P., 2016, Boom and Gloom, The Journal of
Finance 71, 2287-2332.
Investment in nonprofit firms

Investment of public and private firms

Investment in multinational firms


LECTURE 6: Payout policy

Payout policy during financial crisis

Financing payouts

Shares repurchase

Dividend tax


LECTURE 7: Corporate governance

Board of director

Large shareholder
McCaheery, J. A.; Sautner, Z. & Starks, L. T., 2016, Behind the Scenes: The Corporate

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
Ivashina, V. & Scharfstein, D., 2010, Bank lending during the financial crisis of 2008, Jour-
nal of Financial Economics 97, 319 - 338.


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 licensor’s 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/](http://students.anu.edu.au/studentlife/)