



THE UNIVERSITY  
of ADELAIDE

## Course Profile

# CORPFIN 7024: EMPIRICAL CORPORATE FINANCE

## 1. GENERAL COURSE INFORMATION

### 1.1 COURSE DETAILS

**Term:** Semester 1

**Year:** 2022

**Course Description:** This course explores advanced theoretical tools and empirical techniques to evaluate contemporary issues in empirical corporate finance research. The course assumes a sound knowledge of the economic theory relating to the foundations of corporate finance. Students are challenged to think critically and broadly across different areas of corporate finance and the literature that bridges corporate finance theory and empirical corporate finance. By the end of the course, students will be familiar with some of the most advanced work in empirical corporate finance, the major empirical approaches utilized, and a solid understanding of what constitutes a strong corporate finance research paper.

### 1.2 COURSE STAFF

**Name:** Professor Alfred Yawson

**Location:** Room 12.42

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**Consultation:** To be arranged with the student

### 1.3 COURSE TIMETABLE

**Date & Time:** TBA

**Venue:** Online (zoom)

## 2. TEACHING & LEARNING ACTIVITIES

### WORKLOAD

This is a PhD-level course and therefore you will be expected to treat this course at least as a standard 12 unit university course, implying that you are expected to commit to at least 9 hours of private study per week.

Students in this course are expected to attend all classes. Failure to attend 80% of the classes (9 sessions) will lead to an automate FAIL.

### LEARNING ACTIVITIES SUMMARY

The course is comprised of two units, the first on Asset Pricing and the second on Corporate Finance. Lecture topics and basic reading lists are provided below. The teaching and learning approach adopted emphasises the importance of developing critical thinking and analytical skills. This is achieved through a mix of lectures, class presentations and discussions, and a research paper.

#### **Weekly Class Activities:**

In order to obtain the full benefit from the course, students should:

1. Read the assigned reading for each class and be prepared to ask critical questions and to answer specific questions about the readings.
2. Attend all classes and arrive on time.
3. Actively participate in class: Answer questions posed by the instructor, and ask your own questions.
4. If issues are still not clear, first ask your classmates, then ask me, send me a mail, or come to my office during the consultation hours.

The rationale for the above suggestions and requirements in following these points is necessary to achieve the learning outcomes. Lectures and class discussions and presentations are all aimed to facilitate your learning. However, ultimately, the time and effort each student devotes to the course will determine how much he or she learns from it. During a typical 3-hour session, the first half of class will be devoted to covering the lecture material. These lectures are intended to establish an analytical framework for investigating major corporate finance issue. The lecturer will focus on the most challenging concepts and students are encouraged to engage in a dialogue to facilitate better understandings of the materials. The second half of the class will generally involve student presentations and discussions of the research articles on key issues raised during lectures, prior class discussions and assigned readings. These will help students develop both an understanding of the theoretical underpinning of the literature and a familiarity with how these theories are evaluated empirically.

### 1. Financial Policy: Capital structure

Readings

1. Modigliani, Franco, and Merton Miller, 1958, The Cost of Capital, Corporation Finance and the Theory of Investment, *American Economic Review* 48, 261-297.
2. Stiglitz, Joseph E., 1974, On the Irrelevance of Corporate Financial Policy, *American Economic Review*, 851-865.
3. Myers, Stewart, 1984, The Capital Structure Puzzle, *Journal of Finance* 37, 575-592.
4. Titman, Sheridan, and Roberto Wessels, 1988. The Determinants of Capital Structure Choice, *Journal of Finance* 1-19.
5. Fama, Eugene, and Kenneth French, 2005. Financing Decisions: Who Issues Stock? *Journal of Financial Economics* 76, 549–582.
6. Lemmon, Michael, Michael Roberts, and Jaime Zender, 2008. Back to the Beginning: Persistence and the Cross-section of Corporate Capital Structure, *Journal of Finance* 63, 1575–1608.
7. DeAngelo, H., Roll, R., 2015. How Stable are Corporate Capital Structures? *Journal of Finance* 70, 373–418.
8. Ralf Elsas, Mark J. Flannery, Jon A. Garfinkel, 2014. Financing Major Investments: Information about Capital Structure Decisions, *Review of Finance* 18, 1341–1386
9. Cheol S. Eun, Lingling Wang, 2016. International Sourcing and Capital Structure, *Review of Finance* 20, 535–574.
10. Vahap B. Uysal, 2011. Deviation from the target capital structure and acquisition choices. *Journal of Financial Economics* 102. 602–620.
11. Harry DeAngelo, Linda DeAngelo, Toni M. Whited 2014. Capital structure dynamics and transitory debt. *Journal of Financial Economics* 99, 235–26
12. Klasa, S., Ortiz-Molina, H., Serfling, M., Srinivasan, S., 2018. Protection of trade secrets and capital structure decisions. *Journal of Financial Economics* 128, 266-286

## 2. Financial Policy: Capital Raising

### Readings

13. Alexander Ljungqvist, 2006. IPO Underpricing” in B. Espen Eckbo (ed.), *Handbook of Corporate Finance: Empirical Corporate Finance, Volume A*, (Handbooks in Finance Series, Elsevier/North-Holland), Chapter 7.
14. Ritter, J.R., 1987. The Costs of Going Public, *Journal of Financial Economics* 19, 269-282.
15. Masulis, Ronald W., and Ashok N. Korwar, 1986. Seasoned Equity Offerings: An Empirical Investigation, *Journal of Financial Economics* 15, 91–118.
16. Mikkelson, Wayne H., and Megan M. Partch, 1986. Valuation Effects of Security Offerings and the Issuance Process, *Journal of Financial Economics* 15, 31–60.
17. Asquity, Paul, and Mullins, 1986. Equity Issues and Offering Dilution. *Journal of Financial Economics* 15, 61–89.
18. DeAngelo, H., DeAngelo, L. Stulz, R. M. 2010. Seasoned equity offering, market timing, and the corporate lifecycle. *Journal of Financial Economics* 95, 275-295.
19. Brugler, J., Comerton-Forde, C., & Hendershott, T. 2020. Does Financial Market Structure Affect the Cost of Raising Capital? *Journal of Financial and Quantitative Analysis*, 1-38.
20. Adhikari, B., Cicero, D., & Sulaeman, J. 2020. Does Local Capital Supply Matter for Public Firms' Capital Structures? *Journal of Financial and Quantitative Analysis*, 1-35.
21. Amy Dittmar, Ran Duchin, Shuran Zhang, 2020. The timing and consequences of seasoned equity offerings: A regression discontinuity approach. *Journal of Financial Economics* 138, 254-276.

22. Ann Marie Hibbert, Qiang Kang, Alok Kumar, Suchi Mishra 2020. Heterogeneous beliefs and return volatility around seasoned equity offerings. *Journal of Financial Economics*, 137, 571-589.

### **3. Financial Policy: Dividend Policy**

#### **Readings**

23. Miller, Merton, and Franco Modigliani, 1961, Dividend Policy, Growth and the Valuation of Shares, *Journal of Business* 34, 411-433.
24. Miller, Merton, and Kevin Rock, 1985, Dividend Policy Under Asymmetric Information, *Journal of Finance* 40, 1031-1051.
25. DeAngelo, H., DeAngelo, L., Skinner, D.J., 2004. Are dividends disappearing? Dividend concentration and the consolidation of earnings. *Journal of Financial Economics* 72, 425—456.
26. DeAngelo, H., DeAngelo, L., Stulz, R.M., 2006. Dividend policy and the earned/contributed capital mix: a test of the life-cycle theory. *Journal of Financial Economics* 81, 227—254.
27. Hammed, A., Xie, J. 2019. Preference for dividends and return comovement. *Journal of Financial Economics*, 132, 103–125.
28. Grennan, J. 2019, Dividend payments as a response to peer influence, *Journal of Financial Economics* 131 549–570.
29. Ham, C. G., Zachary R. Kaplan, Z. R. Leary, M. T. Do dividends convey information about future earnings? *Journal of Financial Economics*, In press.
30. David J. Denis, D. J., Osobov, I. 2008. Why do firms pay dividends? International evidence on the determinants of dividend policy. *Journal of Financial Economics* 89, 62– 82.
31. Floyd, E., Nan Li, N., Skinner, D. J. 2015. Payout policy through the financial crisis: The growth of repurchases and the resilience of dividends. *Journal of Financial Economics*, 118, 299-316.
32. Janis Berzins, Øyvind Bøhren, Bogdan Stacescu, 2018. Shareholder Conflicts and Dividends, *Review of Finance* 22, 1807–1840.
33. Kale, J., Kini, O., & Payne, J. 2012. The Dividend Initiation Decision of Newly Public Firms: Some Evidence on Signaling with Dividends. *Journal of Financial and Quantitative Analysis* 47, 365-396.
34. Kahle, K.M., Stulz, R.M., 2020. Are Corporate Payouts Abnormally High in the 2000s? Working paper

### **4. Investment Policy: The Market for Corporate Control**

#### **Readings**

35. Andrei Shleifer, Robert W. Vishny, 2003, Stock Market Driven Acquisitions, *Journal of Financial Economics*, Volume 70, 295-311.
36. Masulis, R., Wang, C., Xie, F., 2007. Corporate Governance and Acquirer Returns. *Journal of Finance*, 62: 1851-1889.
37. Harford, J., Humphery-Jenner, M., Powell, R. G., 2012. The Sources of Value Destruction in Acquisitions by Entrenched Managers. *Journal of Financial Economics*, 106: 247-261.
38. Ahern, Kenneth R., 2012. Bargaining Power and Industry Dependence in Mergers. *Journal of Financial Economics*, 103: 530-550.
39. Golubov, A. Yawson, A. Zhang, H., 2015. Extraordinary Acquirers. *Journal of Financial Economics*, 116: 314-330.
40. Albert Sheen. 2014. The Real Product Market Impact of Mergers. *The Journal of Finance*, 69, 2651 – 2688.

41. Eckbo, B.E., Makaew, T., Thorburn, K.S., 2018. Are stock-financed takeovers opportunistic? *Journal of Financial Economics* 128, 443-465.
42. Olivier Dessaint, O., Golubov, A., Volpin, P. 2017. Employment protection and takeovers, *Journal of Financial Economics* 125, 369-388.
43. Claudio Loderer, URS Waelchli, 2015. Corporate Aging and Takeover Risk, *Review of Finance* 19, 2277–2315.
44. Dai, Y., Gryglewicz, S., & Smit, H. 2021. Less Popular but More Effective Toeholds in Corporate Takeovers. *Journal of Financial and Quantitative Analysis*, 56, 283-312.

## 5. Investment Policy: Divestitures, asset sales & bankruptcies

### Readings

45. Berger, P. G., Ofek, E. 1999. Causes and Effects of Corporate Refocusing Programs. *Review of Financial Studies* 12, 311–345.
46. Çolak, G. Whited, T. M. 2007. Spin-offs, Divestitures, and Conglomerate Investment. *Review of Financial Studies* 20, Pages 557–595.
47. Schlingemann, F. P., R. M. Stulz, and R. A. Walkling, 2002, Divestitures and the liquidity of the market for corporate assets, *Journal of Financial Economics* 64, 117–144.
48. Kang, J.-K., and A. Shivdasani, 1997, Corporate restructuring during performance declines in Japan, *Journal of Financial Economics* 46, 29–65.
49. Gorbenko, A. S. 2019. How do valuations impact outcomes of asset sales with heterogeneous bidders? *Journal of Financial Economics* 131, 88–117.
50. Lang, L., A. Poulsen, and R. Stulz, 1995, Asset selloffs, firm performance, and the agency costs of managerial discretion, *Journal of Financial Economics* 37, 3–37.
51. Gorbenko, A. S. 2019. How do valuations impact outcomes of asset sales with heterogeneous bidders? *Journal of Financial Economics* 131, 88–117.
52. Gormley, T., Gupta, N., & Jha, A. (2018). Quiet Life No More? Corporate Bankruptcy and Bank Competition. *Journal of Financial and Quantitative Analysis*, 53(2), 581-611.
53. Heitz, A., & Narayanamoorthy, G. (2020). Creditor Rights and Bank Loan Losses. *Journal of Financial and Quantitative Analysis*, 1-43.
54. Lie, E., & Que, T. (2019). Union Concessions following Asset Sales and Takeovers. *Journal of Financial and Quantitative Analysis*, 54(1), 393-424.

## 6. Role of Investment Banking in Corporate Finance

### Readings

55. Corwin, S. A., Schultz, P., 2005. The role of IPO Underwriting Syndicates: Pricing, Information Production, and Underwriter Competition. *Journal of Finance*, 60: 443-486.
56. Golubov, A., Petmezas, D., Travlos, N. G., 2012. When it Pays to Pay your Investment Banker: New Evidence on the Role of Financial Advisors in M&As. *Journal of Finance*, 67: 271-312.
57. Agrawal, A., Cooper, T., Lian, Q., Wang, Q., 2013. Common Advisers in Mergers and Acquisitions: Determinants and Consequences. *Journal of Law and Economics*, 56: 691-740.
58. Sibilkov, Valeriy, McConnell, John J., 2014. Prior Client Performance and the Choice of Investment Bank Advisors in Corporate Acquisitions. *Review of Financial Studies*, 27: 2475-2503.
59. Bao, J., Edmans, A., 2011. Do Investment Banks Matter for M&A Returns? *Review of Financial Studies*, 24: 2286-2315.

60. Chemmanur, T.J., Ertugrul, M., Krishnan, K., 2019. Is it the investment bank or the investment banker? A study of the role of investment banker human capital in acquisitions. *Journal of Financial and Quantitative Analysis*, 54, 587-627.
61. Nihat Aktas, Audra Boone, Alexander Witkowski, Guosong Xu, Burcin Yurtoglu, 2021. The Role of Internal M&A Teams in Takeovers, *Review of Finance*, 2020.
62. Alfred Yawson, Huizhong Zhang, 2021. Central Hub M&A Advisors, *Review of Finance*, 2021.

## 7. Corporate Governance – Chief Executive Officers

### Readings

63. Malmendier, U & Tate, G 2005, 'CEO overconfidence and corporate investment', *Journal of Finance*, vol.60, no.6, pp. 2661-2700.
64. Malmendier, U., Tate, G., 2009. Superstar CEOs. *Quarterly Journal of Economics*, 124: 1593-1638.
65. Custódio, C., Metzger, D., 2014. Financial Expert CEOs: CEO's work Experience and Firm's Financial Policies. *Journal of Financial Economics*, 114: 125-154.
66. Custódio, C., Metzger, D., 2013. How do CEOs Matter? The Effect of Industry Expertise on Acquisition Returns. *Review of Financial Studies*, 26: 2008-2047.
67. Banerjee, S., Humphery-Jenner, M., Nanda, V., 2015. Restraining Overconfident CEOs through Improved Governance: Evidence from the Sarbanes-Oxley Act. *Review of Financial Studies*, 28: 2812-2858.
68. Islam E., Jason Zein, J. 2020. Inventor CEO. *Journal of Financial Economics* 135, 505–527.
69. Ellis, J., Guo, L., & Mobbs, S. (2020). How Does Forced-CEO-Turnover Experience Affect Directors? *Journal of Financial and Quantitative Analysis*, 1-29.
70. Li, M., Lu, Y., & Phillips, G. (2019). CEOs and the Product Market: When Are Powerful CEOs Beneficial? *Journal of Financial and Quantitative Analysis*, 54(6), 2295-2326.
71. Faleye, O., Kovacs, T., & Venkateswaran, A. (2014). Do Better-Connected CEOs Innovate More? *Journal of Financial and Quantitative Analysis*, 49(5-6), 1201-1225.
72. Hoitash, U., & Mkrtychyan, A. (2018). Recruiting the CEO from the Board: Determinants and Consequences. *Journal of Financial and Quantitative Analysis*, 53(3), 1261-1295.
73. Morten Bennesen, Francisco P´erez-gonz´alez, and Daniel Wolfenzon, Do CEOs Matter? Evidence from Hospitalization Events. *Journal of Finance*, 75, 1877 – 1911.
74. Benmelech, E & Frydman, C 2015, 'Military CEOs', *Journal of Financial Economics*, vol. 117, no.1, pp. 43-59.
75. Cain, MD & McKeon, SB 2016, 'CEO personal risk-taking and corporate policies', *Journal of Financial and Quantitative Analysis*, vol. 51 no.1, pp. 139-164.
76. El-Khatib, R, Fogel, K, Jandik, T 2015, 'CEO network centrality and merger performance'. *Journal of Financial Economics*, vol.116, no.2, pp. 349-382.

## 8. Corporate Governance – Board of Directors

### Readings

77. Masulis, R. W., Zhang, E. J., 2019. How valuable are independent directors? Evidence from external distractions. *Journal of Financial Economics*, 132, 226-256.
78. Adams, R. B., Akyol, A. C., Verwijmeren, P. 2018. Director skill sets, *Journal of Financial Economics*, 130, 641-662.

79. Reena Aggarwal, R., Dahiya, S. Prabhala, N. R. 2019. The power of shareholder votes: Evidence from uncontested director elections. *Journal of Financial Economics*,133, 134-153.
80. Hermalin, B. and M. Weisbach, 1998. Endogenously Chosen Boards of Directors and Their Monitoring of Management, *American Economic Review* 88, 96-118.
81. Adams, R., B. Hermalin and M. Weisbach, 2010. Boards of Directors and their Role in Corporate Governance: A Conceptual Framework and Survey, *Journal of Economic Literature* 48, 58-107.
82. Cai, J. I. E., Garner, J. L., Walkling, R. A., 2009. Electing directors. *The Journal of Finance*, 64: 2389-2421.
83. Bouwman, C. H. S., 2011. Corporate Governance Propagation through Overlapping Directors. *Review of Financial Studies*, 24: 2358-2394.
84. Ran Duchin, John G. Matsusaka, Oguzhan Ozbas, 2008. When are Outside Directors Effective? *Journal of Financial Economics* 96, 195-214.
85. Bang Dang Nguyen, Kasper Meisner Nielsen, 2010. The Value of Independent Directors: Evidence from Sudden Deaths, *Journal of Financial Economics* 98, 550-567
86. Rüdiger Fahlenbrach, Angie Low, René M. Stulz, 2010. Why do Firms Appoint CEOs as Outside Directors? *Journal of Financial Economics*, 97, 12-32.
87. Adams, R. B., Akyol, A. C., Verwijmeren, P. 2018. Director skill sets, *Journal of Financial Economics*,130, 641-662.
88. Shinwoo Kang, E Han Kim, Yao Lu, 2018. Does Independent Directors' CEO Experience Matter?, *Review of Finance* 22, 905-949.
89. An, H., Chen, C., Wu, Q., & Zhang, T. 2021. Corporate Innovation: Do Diverse Boards Help? *Journal of Financial and Quantitative Analysis*, 56, 155-182.

## 9. Managerial Incentives - Corporate Decisions & Risk-taking

### Readings

90. Edmans, A., Gabaix, X., Jenter, D. 2017. Executive Compensation: A Survey of Theory and Evidence. Working Paper
91. Core, J.E., R.W. Holthausen, and D.F. Larcker, 1999, Corporate Governance, Chief Executive Officer Compensation, and Firm Performance, *Journal of Financial Economics*, 51(3), 371-406.
92. Core, J. E., Guay, W., Larcker D. F. 2008. The power of the pen and executive compensation. *Journal of Financial Economics*, 88, 1-25
93. Jensen, M.C., Murphy, K.J., 1990a. Performance pay and top-management incentives. *Journal of Political Economy* 98, 225 - 264.
94. Hoi, C. K., Wu Q., Zhang, H. 2019. Does social capital mitigate agency problems? Evidence from Chief Executive Officer (CEO) compensation. *Journal of Financial Economics*, 133, 498-519.
95. Focke, F., Maug, E., Niessen-Ruenzi, A. 2017. The impact of firm prestige on executive compensation. *Journal of Financial Economics*, 123, 313-336.
96. Denis, D. K., Jochem, T. Rajamani, A. 2019. Shareholder governance and CEO compensation: The peer effects of Say on Pay. *Review of Financial Studies*, Forthcoming.
97. Correa, R., Lel, U. 2016. Say on pay laws, executive compensation, pay slice, and firm valuation around the world. *Journal of Financial Economics* 122, 500-520.
98. Denis, D. K., Jochem, T. Rajamani, A. 2019 Shareholder governance and CEO compensation: The peer effects of Say on Pay. *Review of Financial Studies*, Forthcoming.
99. Mike Burkart, Konrad Raff, 2015. Performance Pay, CEO Dismissal, and the Dual Role of Takeovers, *Review of Finance* 19, 1383-1414.
100. K. J. Martijn Cremers, Yaniv Grinstein, 2014. Does the Market for CEO Talent Explain Controversial CEO Pay Practices?, *Review of Finance* 18, 921-960.

## 10. Methodological Approaches in Corporate Finance

### Readings

101. Roberts, M. and T. Whited, 2013, Endogeneity in Empirical Corporate Finance, Handbook of the Economics of Finance (PA), 493-572.
102. Karpoff, J. and M. Wittry, 2018, Institutional & Legal Context in Natural Experiments: The Case of State Anti-Takeover Laws, Journal of Finance, 73(2), 657-714.
103. Bertrand, M. and S. Mullainathan, 2003, Enjoying the Quiet Life? Corporate Governance and Managerial Preferences, Journal of Political Economy, 111, 1043-1075.
104. Chaney, T., D. Sraer and D. Thesmar, 2012, The Collateral Channel: How Real Estate Shocks Affect Corporate Investment, American Economic Review, 102, 2381-2409.
105. Gormley, T. and D. Matsa, 2014, Common Errors: How to (and Not to) Control for Unobservable Heterogeneity, Review of Financial Studies, 27(2), 617-661.
106. Roberts, M. and T. Whited, 2013, Endogeneity in Empirical Corporate Finance, Handbook of the Economics of Finance (PA), 493-572 (sections on Matching and DDR).
107. Chemmanur, T. and X. Tian, 2018, Do Antitakeover Provisions Spur Corporate Innovation? A Regression Discontinuity Analysis, Journal of Financial and Quantitative Analysis, 53(3), 1163-1194.
108. Bena, J. and T. Xu, 2013, Competition and Ownership Structures of Closely-Held Firms, Review of Financial Studies, 30(5), 1583-1626.

## 11. ASSESSMENT

To pass this course you must undertake each assessable component listed in the table below and receive at least a PASS grade in each, individual component. A failure to satisfy any component will result in a FAIL grade for the course.

### ASSESSMENT SUMMARY

The assessment components are as follows:

Assessment	Due Date and time	Requirement
Participation, including the research question, question and answer hand-in). 20%	This is determined in the class.	You must submit your research question, and question and answer on the topic presented.
Individual Presentations I (20%)	This is determined in the class, but usually you have one to two weeks to prepare	Presentation & electronic submission of the powerpoint slides.
Individual Presentations II	This is determined in the class, but usually	Presentation & electronic submission of the powerpoint slides.



(20%)	you have one to two to prepare	
Research Paper (40%)	End of semester	Presentation & submission of a research paper.

Note: Work will be graded based on effort, not necessarily success in completing the tasks. Further details will be provided in class

### Presentation Schedule

<b>Lecture</b>	<b>Student</b>	<b>Topic</b>
Week 1		
Week 2		
Week 3		
Week 4		
Week 5		
Week 6		
Week 8		
Week 9		
Week 10		
Week 11		
Week 12		

Note: Details will be discussed in class.

## Individual Presentation Template

### Topic:

- Review the literature – provide a coherent discussion of the prescribed literature along with related papers as determined by the student.
- Comment on the general methodology used in the recent literature.
- Comment on the key contributions of the reviewed articles.
- Identify the gaps in the literature.
- Provide three research questions arising from the review (explain why the research questions are novel).
- List of references

You are required to present your work to the class. Each student will present twice in the semester. Presentations will be for approximately 40 minutes followed by general discussions. Each student presenting will need to hand in their slides so it is important that the presentation is clear and comprehensive. Marks will be awarded for understanding of the papers, ability to (i) provide a coherent review and identify gaps in the literature; (ii) generate new research questions; and (iii) answer questions from the floor.

*Participation:* Each non-presenting student is to read the prescribed articles and prepare **two questions** and suggested answers for the presenter and **one novel idea** to share; this will be handed in at the end of the session. Participation marks will be awarded based on in-class discussions and on the *quality* of the handed in work.