

## **Ph.D. Seminar Advanced Topics in Corporate Finance Theory**

**Professor:** Armen Hovakimian  
**Classroom:** 10-215  
**Class hours:** Fridays 10:00 am – till we finish the day's papers  
**Office:** 10-237  
**Office hours:** Feel free to stop by any time  
**e-mail:** [armen\\_hovakimian@baruch.cuny.edu](mailto:armen_hovakimian@baruch.cuny.edu)  
**Web site:** <http://faculty.baruch.cuny.edu/ahovakimian/>

**Course Objective:** To introduce students to topics covered and methods used in empirical research in corporate finance. The students will learn to critically read and evaluate papers.

**Course Organization:** The course follows a seminar format and consists of a series of broad topics in corporate finance, each represented by a set of published and working papers.

Each class meeting will be devoted to student presentations and discussions of 2 papers. The meetings will last as long as it is necessary to finish the discussion of both papers.

This class requires a lot of work to be done on a regular weekly basis. Each student will have to:

- Attend all the classes.
- Read and discuss in class 2 papers per week from the reading list.
- Prepare short summaries of all the papers. That is 2 papers per week. I will require 2 drafts.
  - The first draft must be emailed to me prior to the class in which the paper is discussed.
  - The final summary must be emailed to me prior to the following week's class. The primary difference between the first draft and the final version is expected to reflect the important points from the class discussion of the paper.
  - The emailed files should be named using your first name followed by the number representing where the paper in our reading list. As an example, armen\_12 would be the name of the file with Armen's first summary for the 12<sup>th</sup> paper in the reading list. The final summary would be named armen\_12\_final. Do not combine several summaries in one file.
  - Missed or late summaries as well as summaries that do not conform to the above guidelines will adversely affect your grade.
- Make class presentations of the assigned papers. Your presentation slides should be submitted as the summary for the paper you present.
- Finance students will also write a term paper on a topic in corporate finance. Half of the grade will be based on the proposal, half on the final paper. Proposal should be like an extended introduction to a real paper, with literature review, motivation of the research idea, description of the methodology, and preliminary results, if any. The final version of the term paper should look like a regular working paper in its format and appearance. I will also need your data and programs.
- Non-finance students will have an option to write a referee report on a paper that will be given to them.
- Please note that while I will read and grade your papers, you will not receive any written comments from me, although you can always stop by to discuss your paper and your grade.

The **course grade** will be determined as follows:

	Finance students	Non-Finance students	Due date
Summaries:			
First drafts	5%	5%	
Final summaries	5%	5%	
Participation	10%	10%	
Presentations	10%	10%	
Final exam (take-home)	40%	40%	May 25
Proposal for term paper	15%		April 28
Referee report		30%	April 28
Term paper	15%		August 26
Total	100%	100%	

The summaries and the participation will be assessed for each class session using the following scale: full credit / half credit / no credit.

#### Formats for summaries

1. Objective
2. Place in the literature - contribution
3. Hypotheses tested
4. Methods used
5. Main results and interpretative findings
6. Other important results, tests, etc.
7. Your thoughts about the paper

A typical summary would consist of 1-4 pages. I encourage using equations with self-explanatory variable names, tables, and other ways of concisely summarizing information. Provide structure to your summaries. Feel free to use numbered lists and bullet points. These are better for summaries than pages of text. The goal is to present the essence of the paper in as few words, paragraphs, and pages as possible. The ideal summary would allow an informed reader to understand the main points of the paper without reading it.

#### Supplementary reading:

The following textbook presents a PhD level review of the theoretical ideas in corporate finance. I encourage you to get it and, at a minimum, review the part that relates to capital structure.

- Tirole, J., The Theory of Corporate Finance

The following two advanced MBA textbooks summarize the theoretical ideas and the empirical literature in corporate finance. The first one is relatively old, the second one is more current.

- Copeland, T.A., and J.F. Weston, Financial Theory and Corporate Policy, third edition, Addison-Wesley.
- Grinblatt, M., and S. Titman, Financial Markets and Corporate Strategy, Irwin/McGraw-Hill.

The following handbook gives a summary of many methods used in empirical corporate finance.

- Eckbo, B. E., editor, Handbook of Corporate Finance

#	Date	Authors	Year	Title	Journal	Presenter
	25-Jan	Intro and review				
<b>Capital Structure</b>						
1	1-Feb	Shyam-Sunder, Myers	1999	Testing static tradeoff against pecking order models of capital structure	jfe	Joonsung
2	1-Feb	Frank and Goyal	2003	Testing the pecking order theory of capital structure	jfe	Yang
3	8-Feb	Hovakimian, Opler, Titman	2001	Debt-Equity Choice	jfqa	Yuqing
4	8-Feb	Flannery and Rangan	2006	Partial adjustment toward target capital structure	jfe	Linmei
	15-Feb					
5	22-Feb	Lemmon, Roberts, Zender	2008	Back to the beginning: Persistence and the cross-section of capital structure	jf	Archil
6	22-Feb	DeAngelo, Roll	2015	How Stable Are Corporate Capital Structures?	jf	Ge
7	22-Feb	Baker, Wurgler	2002	Market Timing and Capital Structure	jf	Jonathan
8	1-Mar	DeAngelo, Goncalves, Stulz	2018	Corporate deleveraging	rfs	Lu
<b>Corporate performance</b>						
9	1-Mar	Teoh, Welch, and Wong	1998	Earnings management and the underperformance of seasoned equity offerings	jfe	Morgan
#	1-Mar	Mitchell and Stafford	2000	Managerial Decisions and Long-Term Stock Price Performance	jb	Sae Young
<b>Financing constraints and corporate investment</b>						
#	8-Mar	Fazzari, Hubbard, Petersen	1988	Financing constraints and corporate investment	Brookings	Saghar
#	8-Mar	Hadlock and Pierce	2010	New Evidence on Measuring Financial Constraints: Moving Beyond the KZ Index	rfs	Shuo
#	8-Mar	Hoberg and Maksimovic	2014	Redefining Financial Constraints: A Text-Based Analysis	rfs	Joonsung
	15-Mar					
<b>Behavioral finance</b>						
#	22-Mar	Shefrin	2001	Behavioral corporate finance	ssrn	Yang
#	22-Mar	Heaton	2002	Managerial optimism and corporate finance	fm	Yuqing
#	22-Mar	Baker and Wurgler	2012	Behavioral corporate finance: An updated survey	ssrn	Linmei
#	29-Mar	Baker, Stein, Wurgler	2003	When Does the Market Matter? Stock Prices and the Investment of Equity-Dependent Firms.	qje	Archil
#	29-Mar	Baker, Wurgler	2003	A Catering Theory of Dividends	jf	Ge
<b>Selected papers on various topics</b>						
#	5-Apr	Azar, Schmalz, Tecu	2018	Anti-competitive effects of common ownership	jf	Jonathan
#	5-Apr	Dessaint, Olivier, Otto, Thesmar	2019	CAPM-Based Company (Mis)valuations	afa	Lu
#	12-Apr	Cabezon	2019	The effect of mandatory information disclosure on financial constraints	afa	Morgan
#	12-Apr	Dathan, Davydenko	2019	Debt Issuance in the Era of Passive Investment	afa	Sae Young
	19-Apr					
	26-Apr					
#	3-May	Jame, Markov, Wolfe	2019	Does Crowdsourced Research Discipline Sell-Side Analysts?	afa	Saghar
#	3-May	Cronkvist, Ladika, Sautner	2019	Limited Attention to Detail in Financial Markets	afa	Shuo
#	10-May	Hassan, Hollander, Lent, Tahoun	2019	Firm-Level Political Risk	afa	Joonsung
#	10-May	Bolton, Li, Ravina, Rosenthal	2019	Investor Ideology	afa	Yang