

Ph.D. Seminar Corporate Finance Theory

Professor: Armen Hovakimian
Classroom: 10-215
Class hours: Fridays 10:00 am – till we finish the day's papers
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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.
- Make class presentations of the assigned papers. Your presentation slides should be submitted as the summary for the paper you present.
- 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 (can be a subsample) and programs.
- Non-finance students will 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 PhDs	Option for non-finance students	Due date
Participation	10%	10%	
Presentations	10%	10%	
Final exam (take-home)	40%	40%	May 25
Proposal for term paper	10%		May 31
Referee report		40%	May 31
Term paper	30%		August 28
Total	100%	100%	

Supplementary reading:

The following textbook presents a PhD level review of the theoretical ideas in corporate finance. I encourage you to get it

- 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
Capital Structure						
1	28-Jan	Frank and Goyal	2003	Testing the pecking order theory of capital structure	jfe	Shuai
2	28-Jan	Hovakimian, Opler, Titman	2001	Debt-Equity Choice	jfqa	Richard
3	4-Feb	Flannery and Rangan	2006	Partial adjustment toward target capital structure	jfe	James
4	4-Feb	Baker, Wurgler	2002	Market Timing and Capital Structure	jf	Yanru
5	8-Feb	Roberts and Leary	2014	Do peer firms affect corporate financial policy	jf	Mengtian
6	8-Feb	DeAngelo, Roll	2015	How Stable Are Corporate Capital Structures?	jf	Haozheng
	11-Feb	no class				
7	18-Feb	Wang, Yin, Yu	2021	Real effects of share repurchases legalization on corporate behaviors	jfe	Wen
8	18-Feb	Fried and Wang	2018	Short-Termism and Capital Flows	rcfs	Shuai
Corporate performance						
9	25-Feb	Teoh, Welch, and Wong	1998	Earnings management and the underperformance of seasoned equity offerings	jfe	Richard
10	25-Feb	Mitchell and Stafford	2000	Managerial Decisions and Long-Term Stock Price Performance	jb	James
Corporate investment						
11	4-Mar	Fazzari, Hubbard, Petersen	1988	Financing constraints and corporate investment	Brookings	Yanru
12	4-Mar	Kaplan, Zingales	1997	Do Investment-Cash Flow Sensitivities Provide Useful Measures of Financing Constraints	QJE	Mengtian
13	11-Mar	Lamont	1997	Cash flow and Investment: Evidence from Internal Capital Markets	JF	Haozheng
14	11-Mar	Hoberg and Maksimovic	2014	Redefining Financial Constraints: A Text-Based Analysis	rfs	Wen
15	18-Mar	Edmans, Jayaraman	2017	The Source of Information in Prices and Investment-Price Sensitivity	jfe	Shuai
16	18-Mar	Arora, Belenzon, Sheer	2021	Knowledge Spillovers and Corporate Investment in Scientific Research	aer	Richard
Behavioral finance						
17	25-Mar	Shefrin	2001	Behavioral corporate finance	ssrn	James
18	25-Mar	Heaton	2002	Managerial optimism and corporate finance	fm	Yanru
19	1-Apr	Baker and Wurgler	2012	Behavioral corporate finance: An updated survey	ssrn	Mengtian
20	1-Apr	Baker, Stein, Wurgler	2003	When Does the Market Matter? Stock Prices and the Investment of Equity-Dependent Firms.	qje	Haozheng
21	8-Apr	Baker, Wurgler	2003	A Catering Theory of Dividends	jf	Wen
22	8-Apr	Malmendier, Tate	2005	CEO overconfidence and corporate investment	jf	Shuai
	15-Apr	spring break				
	22-Apr	spring break				
Selected papers on various topics						
23	29-Apr	De Marco, Suvagnat, Sette	2022	Corporate Overconfidence and Bank Lending	AFA-22	Richard
24	29-Apr	Gianinazzi	2020	Reference Points in Refinancing Decisions	WFA-21	James
25	6-May	Mkrtchyan, Sandvik, Zhu	2021	CEO Activism and Firm Value	WFA-21	Yanru
26	6-May	Lins, Servaes, Tamayo	2017	Social Capital, Trust, and Firm Performance: The Value of Corporate Social Responsibility during the Financial Crisis	JF	Mengtian
27	13-May	Bernile, Bhagwat, Rau	2017	What Doesn't Kill You Will Only Make You More Risk-Loving: Early-Life Disasters and CEO Behavior	JF	Haozheng
28	13-May	Bai, Ma, Zheng	2021	Segmented Going-Public Markets and the Demand for SPACs	WFA-21	Wen