HUMBOLDT UNIVERSITÄT ZU BERLIN

Hauptseminar Corporate Finance

WS 2008/09: Fridays 14:00-16:00, Room 23

Prof. Tim Adam, Ph.D.

The purpose of this seminar is to introduce students to the major empirical research areas and methods in corporate finance, and to prepare them for writing a Diplom or Master thesis at the Institute of Corporate Finance. In the first part of the seminar we will review the major econometric techniques such as regression analysis, time series models, panel data estimation, event studies, and how to correctly interpret the results. You will also learn how to access data from various data sources, such as Datastream, Compustat, and Worldscope, and analyze this data with STATA®, a simple but powerful statistical software package. The second part of the seminar consists of student presentations of important research papers in corporate finance. In addition, students are required to replicate an empirical research paper with new data.

Successful completion of the Hauptseminar is a necessary condition for writing a Diplom or Master thesis at the Institute of Corporate Finance.

Prerequisites

Participants should have a good understanding of the principles of corporate finance and be comfortable with standard econometric techniques. Relevant finance knowledge can be demonstrated by having successfully completed Grundzüge der Finanzierungstheorie (Introduction to Finance), Finanzierungstheorie, Portefeuille- und Kapitalmarkttheorie (Portfolio and Capital Market Theory), and Unternehmensbewertung.

The seminar has a strong quantitative orientation. Therefore, a sound econometric background is necessary to successfully complete the Hauptseminar.

Registration

Please submit your CV and evidence of completed relevant courses to the secretary, Mrs. Haberzettel, in hard copy (copies only, no originals) by 1. October 2008.

Evaluation

Class participation (20%), presentation of a research paper (40%), replication of an empirical study (40%). Seminar attendance is obligatory.

References

Jeffrey Wooldridge, *Introductory Econometrics: A Modern Approach,* 3rd edition, 2006, Thomson South-Western, ISBN: 0324323484.

Students intending to write a Diplom or Master thesis at the Institute of Corporate Finance should be in possession of a standard econometrics book such as the one above.

Preliminary Outline

Date	Topics	Readings
17.10.	Introduction, seminar overview, intro to scientific writing	Wooldridge 19
24.10.	Cross-sectional regression analysis, measurement error & proxy variables, multi-collinearity	Wooldridge 1-4 & 7 & (9)
31.10.	Time series analysis	Wooldridge 10
07.11.	Panel data analysis	Wooldridge 13-15
14.11.	Event studies in finance R.A. Heron and E. Lie, 2007, Does backdating explain the stock price pattern around executive stock option grants? Journal of Financial Economics 83 (2), 271-295	MacKinlay (1997) Event studies in economics and finance, JEL
21.11.	Accessing data from Datastream, Compustat, Worldscope, and the WWW	
28.11.	Introduction to STATA®	
05.12.	Graham, J. R., and C. R. Harvey (2001). The theory and practice of corporate finance: Evidence from the field. Journal of Financial Economics 61 (1), 187-245.	
12.12.	Rajan, R., and L. Zingales (1995). What do we know about capital structure? Some evidence from international data. Journal of Finance 50 (5), 1421-1460.	
19.12.	Brav, A., J. Graham, R. Michaely, and C. R. Harvey (2005). Payout policy in the 21st century, Journal of Financial Economics 77 (3), 483-527.	
09.01.	Andrade, G., and Steven N. Kaplan (1998). How costly is financial (not economic) distress? Evidence from highly leveraged transactions that became distressed. Journal of Finance 53 (5), 1443-1493.	
16.01.	Desai M. A., A. Dyck, and L. Zingales (2007). Theft and taxes, Journal of Financial Economics 84 (3), 591-623.	
23.01.	Lamont O. A., and C. Polk (2002). Does diversification destroy value? Evidence from industry shocks, Journal of Financial Economics 63 (1), 51-77.	
30.01.	Rauh, J. D. (2006). Investment and Financial Constraints - Evidence from the Funding of Corporate Pension Plans, Journal of Finance 61 (1), 33-72.	
06.02.	Baker, M., and J. Wurgler (2002). Market timing and capital structure, Journal of Finance 57 (1), 1-32.	
13.02.	Presentation & discussion of research projects	

Additional Papers

Opler, T., L. Pinkowitz, R. M. Stulz, and R. Williamson (1999). The determinants and implications of corporate cash holdings, Journal of Financial Economics 52 (1), 3-46.

Shleifer, A., and R. W. Vishny (2003). Stock market driven acquisitions, Journal of Financial Economics 70 (3), 295-311.

Cao, J., and J. Lener (2006). The Performance of Reverse Leveraged Buyouts. Journal of Financial Economics, forthcoming.

Sufi, A. (2007). Information asymmetry and financing arrangements: Evidence from syndicated loans. The Journal of Finance 62 (2), 629-668.

Paper presentations

Each student must present one research paper during the course of the seminar. The papers cover a wide range of topics in corporate finance, including capital structure, dividend policy, bankruptcy, taxes, corporate diversification, financial constraints, mergers & acquisitions, and syndicated loans. Papers will be assigned on the first day of class. Students can mutually switch their assignments until 31.10., but need to immediately inform the instructor.

Presentations should be conducted in English and last for 90 minutes, including answering questions from the audience. As a general rule, presenting one slide requires about 3 minutes on average. The presentation should clearly define the research question and explain the main contribution as well as the limitations (weaknesses) of the presented paper. The relevant background information should also be discussed. For this it may be necessary to read more than just the assigned paper.

Students should submit their presentation slides at least 2 days prior to the presentation. Tables and graphs should be formatted so that their contents are readable to the audience.

Research project

Each student needs to replicate the following empirical study with a new data set.

> Frank, M., and V. Goyal (2003). Testing the pecking order theory of capital structure. Journal of Financial Economics 67 (2), 217-248.

Students should form teams of 2 people, and submit one research report per team. The research report should discusses the main findings of the replication exercise, the problems that were encountered during the project, and how these problems were addressed. All necessary data will be provided.

For the replication I recommend to use STATA®, a simple but powerful statistical software package from StataCorp LP (http://www.stata.com). STATA® is available in the computer room. Individual student licenses can also be purchased from the German distributor DPC (www.dpc.de) for 89€. The research reports are due on 10.02.2009.