

Doctoral course
Corporate Finance (L 572)
Fall term 2015, Monday, 10.15 a.m. - 12.00 p.m.
University of Zurich

Syllabus version September 09, 2015

Faculty

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Teaching Assistants

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Purpose

This course offers a graduate level introduction into corporate finance. The primary goal of the class is that students acquire an awareness and understanding of important issues in corporate finance. We will focus on presenting “classic” contributions, but will point you to current papers where possible. We will also discuss potential avenues for future interesting research questions. In doing so, some compromises have to be made in terms of how detailed the treatment of each topic can be.

The course also presents useful tools from contract theory and game theory. Thus, the course also aims at training students to use these tools for their own research.

Although the course’s focus is theoretical, we will attempt to relate models to real world phenomena. There is a separate course on empirical corporate finance, but we will also discuss a few empirical papers.

Target group and prerequisites

This course is primarily designed for doctoral students in finance, although it is also open to doctoral students from other social sciences and to interested students in the MScQF program at the University of Zurich.

Since modern corporate finance and organizational economics theory relies heavily on game and contract theory, participants are expected to be familiar with basic concepts in these areas

of microeconomics. The course will emphasize economics rather than mathematical difficulties.

Logistics

During the term, we will meet weekly. The course schedule is as follows (some changes are likely to be made as we go along).

Meeting time: Monday, 10.15 a.m. - 12.00 p.m. Room: PLM-1-103/104

Lecture	Date	Topic
Part 1, taught by Prof. Kjell G. Nyborg		
1	September 14	Introduction, logistics, overview of the course topics, Modigliani-Miller
2	September 21	Capital structure: Taxes and Bankruptcy costs
3	September 28	Capital structure: Further ideas. Student presentations
Part 2, taught by Prof. Alexander F. Wagner		
4	October 05	Agency and capital structure
5	October 12	Dividends and agency and executive compensation 1
6	October 19	Agency and executive compensation 2
7	October 26	Boards of directors
8	November 02	Relational contracts
9	November 09	Theory of the firm and allocation of control
10	November 16	Behavioral corporate finance
Part 3, taught by Prof. Kjell G. Nyborg		
11	November 23	Single Units Auctions
12	November 30	First price auctions and Introduction to multiunit auctions
13	December 07	Uniform price auctions
14	December 14	IPO's, Feedback, Auctions. Student presentations

Problem set	Distributed	Due date
1		September 14
2	September 14	September 21
3	October 05	October 19
4	October 05	October 26
5	November 16	November 23
6	November 23	November 30
7	November 30	December 07
Ref. report	October 05	November 16

If this is not a mandatory course for you (i.e., if you are not in the Department of Banking and Finance's track B doctoral program) we ask you to send an email to the teaching assistants of this course which provides your affiliation and your CV.

Requirements

To pass this class, you are expected to fulfill the following requirements:

1. Class participation
2. Problem sets
3. Presentations
4. Referee report
5. Exam

The weighting will be as follows: homework 10%, presentations 15%, referee report 15% and exam 60%.

Please abide by the following rules. You have to submit all problem sets:

- 1) on time (10.15 a.m. on the indicated date) by email to the corresponding teaching assistant
- 2) typed up in either Scientific Workplace, LaTeX, MS Word, or another word processor and turned into a pdf (make sure all formulas and graphs are readable)
- 3) using a file name of the format PSx.LASTNAME.pdf, where x stands for the problem set number. (Thus, if Alex Wagner is submitting problem set 3, the correct file name is PS3_WAGNER.pdf.)

There are no make-up problem sets or assignments. We do not accept late problem sets, so please plan accordingly and do not start problem sets too late.

Reading list

A recent textbook on corporate finance is Jean Tirole's "The Theory of Corporate Finance." You might find it useful as a reference. It covers a wide array of topics, more than we can cover in this class, and in a somewhat different way, but it certainly is very well done. An excellent game theory book is furthermore Drew Fudenberg and Jean Tirole's "Game Theory."

For a good introduction to contract theory, we recommend Bernard Salanié's "The Economics of Contracts." The best comprehensive reference is Patrick Bolton and Mathias Dewatripont's "Contract Theory." We know you are on a tight budget, but both books are worth having.

A list of papers will be distributed. We will point out as we go along which papers we recommend that you read in more detail.

On paper-writing

We suggest that you acquire the following three references, two of which are freely available on the web.

Thomson, William. *A Guide for the Young Economist*. Cambridge, MA: MIT Press, 2001.

King, Gary. "Publication, Publication." *PS: Political Science and Politics* 39, 131-159 (2006).

Varian, Hal R. "How to Build an Economic Model in Your Spare Time." 2009.