

Doctoral course  
Corporate Finance (L 4073)  
Fall term 2013, Monday, 10.15 a.m. - 12.00 p.m.  
University of Zurich

Syllabus version August 22, 2013

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## Faculty

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## Teaching Assistant

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## Purpose

This course offers a graduate level introduction into corporate finance, with a focus on corporate finance theory. 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.

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 16	Introduction, logistics, overview of the course topics, Modigliani-Miller
2	September 23	Modigliani-Miller and taxes
3	September 30	Asymmetric information and signaling: Capital structure 1
4	October 07	Asymmetric information and signaling: Capital structure 2
5	October 14	Asymmetric information and signaling: Dividends
6	October 21	Asymmetric information and signaling: Convertible bonds; Current research: Bank bailouts
Part 2, taught by Prof. Alexander F. Wagner		
7	October 28	Agency and capital structure
8	November 04	Agency and executive compensation 1
9	November 11	Agency and executive compensation 2
10	November 18	Boards of directors
11	November 25	Relational contracts
12	December 02	Theory of the firm and allocation of control
13	December 09	Behavioral corporate finance
14	December 16	Research ideas in corporate finance

Problem set	Distributed	Due date	Question(s)
1	September 16	September 23	tbd
2	September 23	September 30	tbd
3	September 30	October 07	tbd
4	October 07	October 14	tbd
5	October 14	October 21	tbd
6	October 21	October 28	1
7	October 28	November 04	1
8	October 21	November 11	1/2
9	October 28	November 18	1/2/3
10	November 11	November 25	1
11	November 18	December 02	1
12	November 18	December 16	1

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 and referee reports
3. Final exam on January 13, 2014, Room: tba

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

- 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." We recommend that you buy it 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.

For a good introduction into contract theory, we recommend Bernard Salanie's "The Economics of Contracts". The best comprehensive reference is Patrick Bolton's 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 strongly urge you to acquire the following three references, two of which are freely available on the web.

Thomson, William. A Guide for the Young Economist. 2nd edition. Cambridge, MA: MIT Press, 2011.

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." 1997.