

Doctoral course
Corporate Finance
Fall term 2019, Monday, 9.00 a.m. - 12.00 p.m.
University of Zurich
Syllabus version September 2, 2019

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. The course focuses on presenting “classic” contributions, but will point you to current papers where possible. There will also be time to 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. Overall, 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 several 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

We will generally meet weekly. The course schedule is as follows (some changes are likely to be made as we go along).

Meeting time: Monday, 9 a.m. - 12.00 p.m., unless indicated differently below
Room: KOL-G-203

Lecture	Faculty	Date	Topic
1	KN/AW	Sept 16, 9-11.30 a.m.	Introduction, logistics, overview of the course topics; Capital structure 1
2	AW	Sept 23	Capital structure 2
3	AW	Sept 30	Payout policy; Agency and executive compensation 1
4	AW	Oct 7	Agency and executive compensation 2; Boards of directors
5	AW	Oct 14	Relational contracts, incomplete contracts
6	KN	Oct 21	Auctions; Liquidity; Money markets
7	KN	Oct 28	Corporate cash
8	AW	Nov 4	Behavioral corporate finance
-	-	Nov 11	-
9	KN/AW	Nov 18	Student presentations
10	KN/AW	Nov 25	Student presentations
11	KN	Dec 2	TBC
12	AW	Dec 9	TBC
		Jan 13, 2019	Written exam, in room KO2-F-153

Problem set	Distributed	Due date
1	Sept 23	Oct 7, 9.00 a.m.
2	Sept 30	Oct 14, 9.00 a.m.
3	Oct 7	Oct 21, 9.00 a.m.
4	TBC	TBC
5	Sept 23	Nov 18, Dec 2

Problem set 5 is a discussion of a paper and a referee report. Specifically, on November 18 and 25 students will present and discuss a recent working paper (out of a list provided by KN and AW). Detailed instructions of what such a presentation and discussion should entail will follow. By December 2, you will have to deliver a written referee report on that paper (which should reflect also those issues that came up in your presentation).

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) please send an email to Stefano Ramelli (and cc Kjell Nyborg and Alex Wagner), indicating your affiliation and attaching 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: Problem sets 20%, Presentation/discussion 15%, Referee report 15%, Exam 50%. Class participation can lead to discretionary grade adjustments.

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

- 1) 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)
- 2) by email to stefano.ramelli@bf.uzh.ch. For the file name, use the format PSx_Lastname1Lastname2.pdf, where x stands for the problem set number. Thus, if Kjell Nyborg and Alex Wagner are submitting the problem set 3 together, the correct file name is PS3_NyborgWagner.pdf.

You are encouraged to submit the problem sets in groups of two or three students. There are no make-up problem sets or assignments. Late problem sets are not accepted.

Reading list

A comprehensive textbook on corporate finance is Jean Tirole's "The Theory of Corporate Finance". You might find it useful as a reference. For a good introduction to contract theory, we recommend Bernard Salanié's "The Economics of Contracts". The best comprehensive reference is "Contract Theory" by Patrick Bolton and Mathias Dewatripont. An excellent game theory book is Drew Fudenberg's and Jean Tirole's "Game Theory".

A list of papers will be distributed.

On modeling, paper-writing, and life as an academic

The following three references are particularly useful:

- Thomson, William. A Guide for the Young Economist. Cambridge, MA: MIT Press, 2011.
- Pedersen, Hal R. "How to Succeed in Academia." undated.
- Varian, Hal R. "How to Build an Economic Model in Your Spare Time." 2009.