

Doctoral course  
Corporate Finance  
Fall term 2021, Monday, 9.00 a.m. - 12.00 p.m.  
University of Zurich  
Syllabus version September 16, 2021

---

## Faculty

Kjell G. Nyborg	Alexander F. Wagner
Department of Banking and Finance	Department of Banking and Finance
Plattenstrasse 14	Plattenstrasse 14
<a href="mailto:kjell.nyborg@bf.uzh.ch">kjell.nyborg@bf.uzh.ch</a>	<a href="mailto:alexander.wagner@bf.uzh.ch">alexander.wagner@bf.uzh.ch</a>
<a href="http://www.nyborg.ch">http://www.nyborg.ch</a>	<a href="http://www.alex-wagner.com">http://www.alex-wagner.com</a>
Phone: +41 – 44 – 634 – 2980	Phone: +41 – 44 – 634 – 3963

## Teaching Assistants

Lilia Mukhlynina	Stefano Ramelli
Department of Banking and Finance	Department of Banking and Finance
Plattenstrasse 14	Plattenstrasse 14
<a href="mailto:lilia.mukhlynina@bf.uzh.ch">lilia.mukhlynina@bf.uzh.ch</a>	<a href="mailto:stefano.ramelli@bf.uzh.ch">stefano.ramelli@bf.uzh.ch</a>
Phone: +41-44-634-2969	Phone: +41 – 44 – 634 – 2953

## 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. 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 Kjell Nyborg and Alex Wagner, indicating your affiliation and attaching your CV.

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: PLM-1-103/104 (except the exam, which is planned to take place in KOL-F-109)

Materials are made available online on OLAT.

Lecture	Faculty	Date	Topic
1	KN	Sept 20	Introduction, logistics, overview of the course topics; Miller&Modigliani: Capital structure and dividend irrelevance
2	KN	Sept 27	Corporate cash holdings and repurchases
3	AW	Oct 4	Payout policy; Incentive contracts
4	AW	Oct 11	Agency and executive compensation
5	KN	Oct 18	Auctions
6	-	Oct 25	-
7	AW	Nov 1	Boards; Relational contracts
8	AW	Nov 8	Incomplete contracts
9	AW	Nov 15	Behavioral corporate finance
10	KN/AW	Nov 22	Student presentations
11	KN/AW	Nov 29	Student presentations
12	KN	Dec 6	TBC
13	AW	Dec 13	TBC
14	-	Dec 20	-
		Jan 10, 2022	Exam

## Requirements

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

1. Class participation
2. Problem sets
3. Presentations/Discussions
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 LaTex, MS Word, or another word processor and turned into a pdf (make sure all formulas and graphs are readable)
- 2) by email to the teaching assistant responsible. For the file name, use the format PSx\_Lastname1Lastname2.pdf, where x stands for the problem set number. Thus, if Merton Miller and Franco Modigliani are submitting problem set 2 of Alex Wagner's part together, the correct file name is PS2\_MillerModigliani.pdf, and they would send this to stefano.ramelli@bf.uzh.ch.

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.

The following table gives an overview of the dates of the problem sets, though there may be slight adjustments during the term.

Problem sets KN	Distributed	Due date
1	Sept 20	Sept 27, 9.00 a.m.
2	Sept 27	Oct 4, 9.00 a.m.
R	Oct 4	Nov 22, Nov 29
Problem sets AW	Distributed	Due date
1	Oct 4	Oct 11, 9.00 a.m.
2	Oct 4	Oct 18, 9.00 a.m.
3	Nov 1	Nov 8, 9.00 a.m.
R	Oct 4	Nov 22, Nov 29

Problem set R is a discussion of a paper and a referee report. Specifically, on November 22 and 29 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 6, you will have to deliver a written referee report on that paper (which should reflect also those issues that came up in your presentation).

## **Reading list**

A list of papers will be distributed.

Additional reading: 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".

## **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.