FLORIDA ATLANTIC UNIVERSITY™

Graduate Programs—NEW COURSE PROPOSAL[1]

DEPARTMENT	COLLEGE
FINANCE	BUSINESS

RECOMMENDED COURSE IDENTIFICATION *(TO OBTAIN A COURSE NUMBER, CONTACT ERUDOLPH@FAU.EDU)*

PREFIX FIN_____ COURSE NUMBER ___7808___ LAB CODE (IF APPROPRIATE, L OR C)_____
L = LAB COURSE; C = COMBINED LECTURE/LAB

COMPLETE COURSE TITLE: **Theory of Corporate Finance: Readings and Empirics**

EFFECTIVE DATE
(first term course will be offered)

__SPRING 2018_____

CREDITS[2]	TEXTBOOK INFORMATION
3	Jean Tirole, *The Theory of Corporate Finance*, 2006.

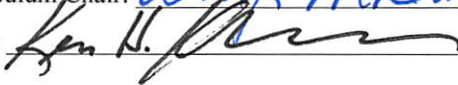GRADING *(SELECT ONLY ONE GRADING OPTION)*:   REGULAR __x____   SATISFACTORY/UNSATISFACTORY _____

COURSE DESCRIPTION, NO MORE THAN THREE LINES:

This doctoral seminar provides an in-depth analysis of theory and empirical research in capital markets and corporate finance. Corporate Finance topics include theories of capital budgeting, capital structure, dividends, agency, signaling, corporate governance, financial distress, and other areas of corporate finance.

PREREQUISITES* FIN 7843: STATE OF THE ART MANAGERIAL FINANCE	COREQUISITES*	REGISTRATION CONTROLS (MAJOR, COLLEGE, LEVEL)* ADMISSION TO THE EXECUTIVE CONCENTRATION OF THE FAU BUSINESS PHD PROGRAM

* PREREQUISITES, COREQUISITES AND REGISTRATION CONTROLS WILL BE ENFORCED FOR ALL COURSE SECTIONS.

MINIMUM QUALIFICATIONS NEEDED TO TEACH THIS COURSE:

MEMBER OF THE GRADUATE FACULTY OF FAU AND HAS A TERMINAL DEGREE IN THE SUBJECT AREA (OR A CLOSELY RELATED FIELD).

Faculty contact, email and complete phone number: Professor Anita Pennathur 954 237 1272	Please consult and list departments that might be affected by the new course and attach comments.[3]

Approved by:

Department Chair: _E2amm_

College Curriculum Chair: _Wm R McDaniel_

College Dean: _Ken H._

UGPC Chair: _____

Graduate College Dean: _____

UFS President: _____

Provost: _____

Date:

10.19.17

10-20-2017

10-24-2017

1. **Syllabus** must be attached; see guidelines for requirements: www.fau.edu/provost/files/course syllabus.2011.pdf

2. Review **Provost Memorandum: Definition of a Credit Hour** www.fau.edu/provost/files/Definition Credit_Hour_Memo_2012.pdf

3. **Consent** from affected departments (attach if necessary)

GRADUATE COLLEGE

Email this form and syllabus to *UGPC@fau.edu* **one week before** the University Graduate Programs Committee meeting.

Professor Information

Please include the class number in the subject line until I learn all your names. While I usually respond to emails as soon as possible, allow at least 24 hours for a response; longer for weekends. Please do not wait till the last minute to email me when issues arise.

Office Hours:

Questions about any of the content of the course can be addressed during class time. General questions about your paper can be addressed just before or after class or during the class break. If you have a more detailed question about your paper, the best solution is normally to email me with the question and attach the draft of your paper so that I can review your draft as I attempt to answer your question.

Recommended Texts and Materials
Jean Tirole, *The Theory of Corporate Finance*, 2006.

COURSE DESCRIPTION AND LEARNING OBJECTIVES
The purpose of this seminar is (1) to provide Executive Concentration PhD students with a background on financial markets, (2) to develop the research creativity and writing skills of Executive Concentration PhD students (through a required research paper), and (3) to develop the presentation and teaching skills of Executive Concentration PhD students (through communication exercises in each class, as well as a required presentation of their research paper and an assignment as a discussant for someone else's research paper).

Course Description

This doctoral seminar provides an in-depth analysis of theory and empirical research in capital markets and corporate finance. Corporate Finance topics include theories of capital budgeting, capital structure, dividends, agency, signaling, corporate governance, financial distress, and other areas of corporate finance. In a single semester it is nearly impossible to complete an exhaustive exploration of the entire field. My goals are to help you gain foundational knowledge of theory and research in corporate finance, and develop the analytical skills necessary to conduct independent research, teach a course in corporate finance, and critically evaluate scholarly research in the field. In addition, my intent is to help you develop scholarly presentation skills.

This course also covers a wide variety of topics related to financial markets, including how financial markets facilitate the flow of funds, the role of corporate control in financial markets, how financial asset values are affected by economic forces, and how they respond to new information.

Course Learning Objectives

The learning outcomes for students are to:
- to compare and contrast findings of research in finance,
- apply your knowledge to real world situations so that you are capable of teaching corporate finance, financial markets, or similar classes at an undergrad or MBA level in the future,

- develop skills in research methods used to conduct research in finance,
- develop a research idea in finance and apply your knowledge and skills to conduct analysis and complete a paper of the quality that may be submitted to a refereed journal,
- develop skills in assessing your own research and the research conducted by others,
- develop presentation skills for presenting your own research and discussing the research conducted by others.

PREREQUISITES: This course is solely for Executive Concentration PhD students who are presently enrolled in the PhD program, and have the proper background. You should have taken the Executive Concentration PhD course in research methods course. That will help to prepare you for some of the econometric models. However, you can benefit from a little more preparation.

"According to Florida State Statute 6A-10.033, students must spend a minimum 2,250 minutes of in class time during a 3-credit course. Additionally, students enrolled in a 3-credit course are expected to spend a minimum of 4,500 minutes of out-of-class-time specifically working on course-related activities (i.e., reading assigned pieces, completing homework, preparing for exams and other assessments, reviewing class notes, etc.) and fulfilling any other class activities or duties as required." The course schedule for this course reflects this expectation of students.

Required Background in Applying Econometric Models
Before taking this class, you need to understand:
* finance pricing models, especially the market model (derived from the CAPM),
* the use of dummy variables and interaction terms in regression analysis,
* estimation problems from regression analysis due to heteroscedasticity or multicollinearity, and potential solutions to these problems,
* logit (and probit) analysis.

Sources of Information on Econometrics. You can find much information about econometrics on the Internet, although some of the explanations are not easy to understand. Here are some possible sources of information:

Very Basic Regression Model
http://www.youtube.com/watch?v=KADYlV95Bd0&feature=related

Multiple Regression Model
http://www.youtube.com/watch?v=i7ml3SbWd0w

Sources of Information on Using Dummy Variables
http://www.youtube.com/watch?v=4VoX3gn23XQ
http://www.youtube.com/watch?v=nkH-gjBd2uw&feature=relmfu
http://www.youtube.com/watch?v=py8AG0c7C1o&feature=relmfu

Sources of Information on Dummy Variable Interaction Terms
http://www.youtube.com/watch?v=YcqAWTDuqkE   (8:07 to 12:19)

Sources of Information on Multicollinearity

http://www.youtube.com/watch?v=Ybzc3AB1E-E&feature=related   (the link for part 2 to the video above appears in the upper left corner near the end of the video)
http://www.youtube.com/watch?v=xU9WLeEihgM&list=PLECD799436215D166&index=2&feature=plp p_video

Sources of Information on Heteroscedasticity
http://www.youtube.com/watch?v=R4qavu65bFs&feature=relmfu (towards the end of the video, a link appears for the second and third parts)

Sources of Information on Using Logit (Logisitic Regression)
http://www.youtube.com/watch?v=-Z2a_mzl9LM&feature=related

Required Background on Finance Topics You also need some basic background on the topics covered on the course syllabus. You could achieve such a background by reading a textbook chapter or practical articles that are easily accessible on the internet. A practical understanding will help you understand the academic articles.

REQUIRED MATERIALS
The required materials for this course include a set of academic articles. These articles do not cover all topics related to corporate finance and financial markets, but the inclusion of too many articles dilutes the understanding of any specific article. Given the limited number of articles assigned for each class, you should have a thorough understanding of each article. These articles are not necessarily classics in the field (the area of financial markets does not have many "classic" articles); I tried to create a reading list that includes a variety of related articles to provide a sampling of some of the more popular research issues in the field. I purposely limited the number of articles that we cover so that you could learn these articles well. I am hoping that you will understand the articles well enough that you could replicate them if you had to, or can adapt the method to fit a research idea you may have someday. I also added some articles that I wanted you to read only to grasp the general theme of the paper and key conclusions. I attempt to specify the articles in which you should just grasp the general theme and key conclusions. For these papers, you should not spend time on the details of the model, such as all the control variables.

CLASS PARTICIPATION AND PREPARATION
I expect you to attend every class, to arrive on time at every class, and to participate in every class that we have. Please bring the assigned articles to class, along with your summary of those notes (described shortly. I strongly suggest that you plan to arrive a half hour earlier than the class time just in case the traffic is worse than expected. This will also allow you a little time to refresh your notes before class. The class discussion covers various aspects of each article assigned for the given week, and may even include limitations of each article, and potential research ideas that could be extensions of each article.

If you expect to miss class due to a religious holiday or for any other reason, tell me during the first week of class. If you plan to miss a class for a valid reason, you will still be expected to participate by emailing your summary of the assigned articles (as described below) to me and the other students in the class by 6 p.m. on the night before the class.

Read the articles with a goal of attaining a knowledge base and applying it when conducting your own research. You need to apply general concepts from articles to your own research to motivate your own research, develop hypotheses, and apply models. The knowledge you absorb from papers has limited benefits unless you can apply it to your own research or when you teach.

Preparing for Class - Summarizing 5 Parts of Each Paper in Your Words
You should prepare for each class by developing a summary of each assigned article that addresses the following 5 points below:

1. **Motivation:** What is the goal of this article? (This goal reflects an informal statement of the main hypothesis). How does the article contribute (according to its authors) beyond other related articles that were published before it? (Try to recognize from the article what the foundation of related research is, from which this article was developed).

2. **Hypotheses:** What are the main hypotheses? Most hypotheses can be described in the form that X is hypothesized to be positively or negatively related to Y. Offer the basic logic behind each main hypothesis.

3. **Method:** What is the methodology used in the article? You should be able to explain the steps in the methodology as if you were going to run the analysis yourself. The exact sample size is not as relevant as the specific variables that are assessed and the form of the model. That is, what is the dependent variable? What are the key independent variables that will help test the main hypotheses? The model will likely include control variables, and should understand why they are in the model, but give them less attention.

4. **Results:** What are the main results as related to the main hypotheses? (Focus on which variables were significant, and the direction of the relationship, not on the exact t-statistic, etc.)

5. **Implications:** What are the implications? (Tie this back to the goal of the article, as the implications should respond to the key hypotheses). Make sure that you recognize the real-world implications of each article, as these implications should help you improve your teaching skills.

Most papers briefly state their results right after they state their goal, but we will not cover the results until after discussing the methodology.

Class Discussion Process
I will randomly call on students to summarize a key part of each article that is assigned for a given class. For example, when we discuss the first required article during the first class, I will ask someone to explain the goal of the article, and then will ask someone else to discuss the main hypotheses, and someone else to summarize the results, and so on. By the time we are done discussing a particular paper, several students will have offered some input on each article. You know that I am going to ask for these summaries so the format of each class is very predictable. You can be fully prepared for each class. There is no need to try to memorize anything for the class discussion, as you are allowed to use your notes during the class discussion. But, you make sure that your notes are written in a manner that is easy for you and the class to understand.

We will have a relatively large class for a seminar. This means that we need to use our time well, and all of us need to get to our point efficiently when speaking, so that we have time to cover all the material and allow for all students to participate each class.

Regarding Your Notes

Your summary notes for each article will not only help you in this class, but when studying for comprehensive exams, and for establishing a reference guide that you can use in the future.

Creating a summary of each article will ensure that you have a basic understanding of each article. Do not simply highlight the parts of each article related to the questions above. Students who tried that strategy in the past performed poorly in participation because they had not already created a summary in their own words and just read various parts of the paper when they were asked for their summary. Reading parts of the article to the class does not benefit other students, as they can read themselves. Your insight about the articles in your own words is beneficial to other students because it can help them understand the articles.

The summary should be in your own words, so that you can easily understand your notes for when you review the notes prior to an exam. You do not have to hand your summary in, but you will need it for class. You can use it during class like an outline if you are asked to summarize the article, but should not have to read from it when summarizing an article in class. Your summary should serve as a reference guide, not as a prepared speech.

Your summary should be written or typed on notes separate from the article, and should not be squeezed on the articles themselves. The reason is that you need organized summaries of these articles to study for the exam in this class and for comprehensive exams if you are pursuing a Ph.D in finance. In addition, during class there will likely be some comments that occur in which you add to your notes. Thus, you should leave some blank space between the 5 points of the summary mentioned above so that you can insert more content where appropriate.

There may be a brief quiz at the beginning of any class about the material to be covered in that class. The quiz should not be difficult if you come prepared with your notes that summarize each article. You would be allowed to use your notes if there was a quiz, but would not be allowed to use the articles. A quiz would count as part of the participation grade.

Collegiality in Class
When other students are participating in class, please listen. You do not have to agree with every comment made but the goal is to understand the articles that are discussed, and sometimes other students can offer explanations that will help you understand the articles better. Also, other students may have some suggestions for your research in class. Please accept their feedback with an open mind. When you pursue a faculty position someday, your marketability may be partially dependent on your degree of collegiality, because many universities (and other prospective employers) prefer to hire faculty members who demonstrate a willingness to work with others.

Grading of Class Participation
Class participation is worth a total of 15 points, and is measured by the accuracy, clarity, and relevance of your statements in class. Your discussant role (explained below) is graded as 3 points, as part of class participation, while other forms of participation make up the other 12 points.

Asking Questions
You should feel free to ask questions during class assuming that the answers are not obvious from reading the articles, but asking questions does not count in the participation grade. A common method that is highly recommended (but not required) is to participate in a study group on the day before the class meeting. In this group, you can simulate the process that occurs during class. You can compare your interpretation of an article with those of other students, and can ask other students if you are unclear about any particular parts of an article. In this way, you will be more prepared for the class discussion. Questions are still commonly asked during class,

but they are usually questions that other students had as well and could not answer during study group sessions. The study group would not normally take as long as a class, and you would likely find that they become shorter (more efficient) after you have been through a few classes.

REQUIRED PAPER

A paper is required in order to help students enhance their knowledge, develop research ideas and hypotheses, enhance their writing skills, retrieve data, and apply models. Your paper will be worth 30 points, which is 30 percent of your total grade. Five of the 30 points are based on your presentation of your paper, which is explained below. You may also be asked to hand in any computer printouts that show results of analysis to supplement your paper.

I recognize that you have not had that much experience writing papers that could be potentially publishable. However, the goal here is to ensure that you have a chance to develop your skills in doing applied research. You will not only learn more about a specific niche within the financial markets area, but will get some valuable experience in conducting research. Hopefully, you can submit your paper to a journal when the semester is over.

You can consider any topic that could fit corporate finance, financial institutions or markets. This allows much flexibility. A paper that assesses the financial market reaction to an event would be allowed, even if the main event is corporate finance (such as stock repurchases). If you are unsure whether the topic you are considering would fit this course, email me your proposed idea and I will respond.

The two most typical barriers for research papers are that (1) your idea may have been done by someone else (check the literature and working papers on ssrn.com) or (2) that the data you need for your study are not accessible. You should ensure that your idea has not been done by someone else and that the data are accessible before the semester begins. Those students who have a good research idea that meets the criteria above can start making progress on their paper before the semester begins.

It is OK to use a general idea for your paper that was suggested by someone else, as long as you do the work. But you should attempt to develop the idea further on your own, so that you get some experience on creating research ideas.

Proposed Research Ideas That Are Based on Your Previous Research

If you wrote a paper for a previous course, you may possibly extend the paper for this class but is subject to my approval, if there is potential to substantially improve on your previous paper. So contact me before the semester if this is your plan, with the necessary details. In general, all of your work on the paper for this course must be clearly distinct from the work that you previously did. You would be graded only on the addition to the paper that you did for this course. Also, you would be expected to do the same amount of work as any student who did not use a previous paper. Therefore, you should only consider extending a previous paper if almost all of the work that is needed to make it a good paper still needs to be done. If your paper is an extension of any paper that you did before, cite that paper in your literature review, provide me with a copy of that paper, and inform me of the course (if any) in which you submitted that paper.

Research that Leads to Future Ideas

It is not appropriate to double-count work. Therefore, if you ever use any part of the paper for this course for another paper in another course, you should inform the professor teaching that course so that he or she can focus on grading only the new work that you do specifically for that course.

It is possible that your paper in this course might lead to a dissertation topic. But it is not intended to substitute as part of your dissertation someday. That is, the paper is a requirement for this course. The dissertation is a completely separate requirement, and a research paper does not receive credit for 2 separate purposes.

Preparing Your Research Paper Proposal
We will begin the first class with a discussion of your proposed paper topics. Each student will take 5 minutes or less to explain his/her proposal to the class. The class may then respond with helpful comments, concerns about data, suggestions, etc.

Typically, a paper has 1 or more key hypotheses that reflect the impact of one characteristic (as proxied by a variable we can call X) on another characteristic (proxied by a variable we can call Y). You will likely have some control variables as well as additional explanatory variables. So when describing your proposal, you should:
1. articulate your hypothesis (and provide some logic for it),
2. describe the model that tests your hypothesis (include any obvious control variables in your model),
3. describe the expected sign of the coefficient of the key explanatory variable.
4. explain how you will retrieve the data (do you know for sure that the data are available AND that you can access the data?)
5. explain what your paper contributes above and beyond the existing literature (do not say that the main contribution is that you will use more recent data than past studies. If you expect a new finding, focus on that instead.)

Most proposals can be structured within this framework. The reason I ask you to structure it like this is that it forces you to think about the proxies and the model you need to test your hypothesis. In the past, many students had proposals that were not clearly defined.
Example: Many critics of the Sarbanes-Oxley (SOX) Act state that it has caused publicly-traded firms to go private. So consider a researcher who says that he wants to determine if this Act caused publicly-traded firms to go private.

This proposal is ambiguous. It is not clear what data are needed, what the hypotheses are, how the characteristics within the hypotheses will be measured, what model will be used, and what the expected sign of the coefficient is. Firms go private in every year, so testing the effect of the SOX Act would have to try to control for some variables that would influence the amount of firms that go private even if the SOX Act never occurred. That is, the model in any paper needs to control for confounding effects to more properly measure the impact of X on Y.

Data and Programming Issues
It is OK to use a smaller sample than if you had more time and were planning to submit this to a journal. It is important to complete the paper for this course even if you had to use a smaller data set than what you would prefer. The assignment is intended to give you more practice on doing all parts of a paper.

When you check on available data, keep in mind that there are many data sources that do not make their data available or only sell data. Also, be aware that some data sets that are accessible might have a column heading for specific variables but the data might be blank for many observations. Therefore, please make sure that you check whether the data you need are truly available in order to conduct research on a good sample.

If you plan to use specific software programs to run your analysis, please make sure you know how to use it before the semester begins. You do not want to be in a position in which you are using much of your time trying to learn software during the summer semester. Ideally, you spend most of your time on the paper developing ideas and hypotheses and reporting results.

Deadline for the Completed Paper

You will need to submit your completed paper to me and to the assigned discussant (explained below) by the deadline given in the syllabus. When you email me the paper, I will respond to inform you that I have received the paper. The deadline to complete your paper will not be extended. You may want to improve the paper based on comments by me, or your discussant, or other students or faculty after the semester, so that you can ultimately submit the paper to a journal for possible publication. But your grade for the paper in this course is based on the completed paper you submit to me by the deadline.

If you do plan to submit your paper to a journal, please be aware of general rules for journal submission. Your paper should only be submitted to one journal, and should only be submitted to another journal if the original journal rejects your paper. Also keep in mind that submission fees can be high, so you can review various journals. Quality differs among journals. We will discuss this at some point during the semester, perhaps during a break in the class.

Contents of Completed Paper

Once your paper is completed, it should be sufficiently original and rigorous to be submitted to an academic journal. It should contain the following components:

Abstract. Briefly describe your research and how it differs from other related research.

Motivation. Describe your main theme and the contribution of your paper beyond existing literature.

Review of Related Literature. Make sure you explain at the end of this section how your idea contributes beyond the existing related literature

Hypotheses. Describe the relationships that you expect to find when conducting your analysis.

Methodology. Step by step explanation of what you intend to do and clear description of your sample; describe the proxy used for any characteristic that you identify in your hypotheses. Recognize the difference between a time series regression and a cross-sectional regression analysis. You use the time series to derive abnormal returns or to measure risk-shifts for each firm or portfolio.

The cross-sectional analysis is used to explain VARIATION across firms. Thus, it is used if you want to determine why the abnormal returns that you derived from your time series analysis vary among your sample.

Make sure that you understand what you are testing. For example, when you estimate a market reaction and then use it as a dependent variable, you are testing whether the market reaction to the event is associated with the independent variables that you select. Those independent variables should be proxies for info that you believe the market has at the time that it responds.

Results. Provide descriptive statistics about your data, such as the mean and standard deviation of the key variables in your analysis. Your key results should confirm or refute your hypotheses.

Implications. Explain what your results imply about investing or security pricing behavior. These implications should be of interest to an investor or anyone who has a general interest in financial markets.

Tips for Selecting a Research Idea

Here are some general tips for doing the paper.

1. Pick one general topic that you are interested in, such as IPOs, mutual funds, bank regulation, or market reaction to earnings announcements.

2. Use practical articles or even text books to help you write a basic background about a topic. Put the description in your own words and cite sources that you use.

3. Do a complete literature review on all academic articles on this topic. Also do a complete review of any practical articles. For each category, summarize the articles that fit within that category in chronological order. This review is just a matter of summarizing each article, perhaps one paragraph (about 6 sentences at the most) for each article. Because the literature review is just a quick summary of the article, you do not need to be creative here. You should review any unpublished articles that are listed at the SSRN website (www.ssrn.com) or any other that you know of that has unpublished articles.

4. Then once you are done with the literature review, you have created the foundation of knowledge for your topic. At this point, you can be more creative. Think about what research questions have not been answered by the articles you reviewed. Once you have considered these research questions, ask yourself whether you could possibly do a study to answer one or more of those questions. That is, could you get the data? Could you run the analysis to answer the questions? So at this point, you would then specify the hypothesis and develop a methodology that would answer the research questions.

5. Now that you have a hypothesis and a methodology, revise your introduction and review of literature to fit the specific theme of the topic. That is, you probably focused on a particular niche within a broad topic. Emphasize the articles in your review of literature that are most closely related to the idea that you created.

Literature Search

When you write a paper for a course, one goal is to have you develop skills in reviewing the literature that relates to your topic. It is your responsibility (not the professor's) to ensure that your paper is not repeating existing studies. Also, when you do a dissertation, it is your responsibility (not the committee's) to ensure that your work is not repeating existing studies. I know of some cases in which students had to redo much of their dissertation because they did not carefully search the literature when creating their idea. They missed some studies that were in the top journals, and therefore wasted much time working on a study that was already done. The literature review process is still important if and when you take a faculty position, because it is again your own responsibility to know what literature exists before you submit papers to journals.

One of the requirements of a paper in a PhD course like this is that the paper be original, meaning that it is a contribution beyond existing literature. If your paper repeats what has already been published in the mainstream

literature, then it is not original. You can avoid doing a study that has already been published by conducting a thorough literature search as I explain below.

1. If you have a rough idea of what you want to do, first determine whether the data are available if you pursue this idea. I mention this first, because if you cannot obtain the data to do the study, there may be no reason to conduct a review of literature.

2. Determine what key terms would be in any abstract of related articles. For example, if you are doing a study on dividend policy, the related literature would surely have the word "dividend" in the abstract. The downside is that there will be hundreds of articles with this search term and if you try to reduce the list with an extra term (such as "dividend policy"), you may lose some important articles on your list. My suggestion is to accept the longer list and simply screen through it. Many of the articles will probably not be directly related to your purpose.

Some search terms have alternative words that are used in studies instead. For example, studies on acquisitions may use the term tender offers or takeovers instead, so a search of the term "acquisitions" will miss some articles. The term "abnormal return" might be called valuation effect or wealth effect or prediction error in some studies. You can just repeat the search with the other terms.

3. Go to SSRN (www.ssrn.com) and go to the Financial Economics Network (FEN) and insert your search terms. Screen through the abstracts that are listed. This site has abstracts of many unpublished (working) papers. You should cite any closely related papers, and make sure that you are not repeating what they are doing. Reviewers of journals will likely go to SSRN when reviewing a paper to recognize what other related working papers are in circulation or submitted to journals.

For each article that is related, pull a few sentences from the abstract and write them on an index card or type them in a file. Index cards are convenient because you can easily sort them and use them while your computer screen is loaded with other files. Make a special mark for those articles that are closely related, which you should copy and read later.

4. Go to ABI Inform in the electronic library of FAU. Personally, I think the "Advanced" option of the ABI Inform is most effective. Insert your search terms, and the search covers a broad category of journals, including practical magazines. You have the option to screen out the magazines to focus only on the scholarly (peer-reviewed) journals, but in some cases, the practical magazine articles can offer some practical insight that you may not get in the scholarly journals.

Again, write a few sentences from the abstract every article that is closely related to your idea, and make a special mark for those articles that are closely related and need to be read later.

5. Give special attention to related articles published in the top journals. The following journals are the most widely cited in Finance:
Journal of Financial Economics (JFE)
Journal of Finance (JF)
Journal of Financial and Quantitative Analysis (JFQA)
Review of Financial Studies (RFS)

In addition, these other finance journals are widely circulated:
Journal of Banking and Finance (JBF)
Financial Management (FM)

Journal of Financial Research (JFR)
Financial Review (FR)

If your paper is focused on a discipline such as Accounting, the set of key journals would differ from the list of journals I mention above.

For this class, I suggest that you complete your literature review at the very beginning of the semester to make sure that your idea has not been done already. In this way, you would still have time to revise your idea if you need to. In some cases, you might realize as a result of your search that you need to change your original idea. If so, you might still be able to salvage your literature review if you focus on the same general topic area.

6. If a published paper that suddenly appears during the semester in which you are doing your study that closely overlaps your study, you may not have much time to revise it. You should mention it to your professor, who may offer some advice for you. Regardless of the advice on what to do with the paper for the course, the paper will not be publishable in its current form if it overlaps too closely with another paper. You may be able to avoid this situation if you did a thorough check of working papers.

7. If you use the phrases from any existing literature, you need to use quotation marks and give credit where credit is due. Otherwise, it may appear that you are attempting to use other work as your own. Be sure that information derived from other research is properly cited. This means that phrases or sentences are in quotation marks with the appropriate reference. Longer sections must be clearly set off from the text by indenting both margins and clearly referencing. Whenever possible, synthesize what you have read and restate it in your own words with a citation.

Written components of any assignment or project may be submitted to anti-plagiarism software to evaluate the originality of the work. Any students found to be submitting work that is not their own will be deemed in violation of the University's honor code discussed above.

Any submission of work may be subject to programs such as Turnitin that may be used along with other means to detect plagiarism. The penalty for plagiarism is very serious, and may include dismissal.

PAPER PRESENTATION AND DISCUSSION
You will present your paper to the class near the end of the semester. The presentation should be about 10 minutes. Another student in the class will be assigned as a discussant for your paper, and will attempt to provide suggestions on how you could improve the paper. The discussion of the paper by the discussant should be about 5 minutes.

The deadline to submit your paper to me and to your assigned discussant is in they syllabus. Follow the deadline here just as if you were presenting the paper at a conference and were required to provide the paper to a discussant by a specific deadline.

More details will be provided in class over time. Your paper presentation is worth 5 points. Your discussion of the paper to which you are assigned is worth 3 points.

EXAMS

There are 2 exams. The first exam is worth 25 points. The final exam is worth 30 points. The exams may contain some questions that test your knowledge of the articles, your ability to develop hypotheses for a particular topic on financial markets, and constructing models that can test specific hypotheses on financial markets. Some details of the articles such as the direction of significant relationships are very important and may be covered on an exam. However, there is no need for you to memorize details such as names of authors, titles of papers, exact coefficients, or exact t-statistics. In general, the exams are intended to test (1) your knowledge of research on financial markets and (2) your ability to apply the tools used in the financial markets articles to conduct your own research. More information about the exams will be given in class. There are no makeup exams.

GRADING

There are 100 possible points for the course, distributed as follows:

First exam	25 points
Class participation	15 points (including 3 points for your discussant role)
Paper	30 points (including 5 points for your paper presentation)
Final exam	30 points
Total	100 points

Grading Scale

The following grading scale will be applied:

Score out of 100 points	Grade
92-100	A
90-91	A-
87-89	B+
82-86	B
80-81	B-
77-79	C+
72-76	C
70-71	C-
67-69	D+
62-66	D
60-61	D-
Below 60	F

The grading for this course is based on points accumulated as explained above. It is independent of other factors such as whether a PhD student was taking a course overload, did not have proper background to take this course, or was teaching too many courses. If this course is required for you, and you believe that you may be overcommitted, you should speak with your advisor about a possible solution (such as reducing the other

commitments) well before the semester begins so that you can ensure giving your best effort in the coursework. If this course is an elective for you and you are overcommitted, you should not take this course.

Academic Honesty:

The university policy regarding academic honesty is strictly followed. Cheating will not be tolerated and will result in a grade of zero for the work in question. Plagiarism (the representation as one's own, in whole or part, of the work of others) is a form of cheating. Proper citation and attribution is absolutely required in all work. For more information, please refer to the College of Business Academic Honesty Policy. All written assignments can be screened for academic honesty and originality using turnitin.com. Any reports not the author's own work will receive a grade of zero. If I find out that you have borrowed from any source, I may choose to assign a grade of zero. Beyond that, the value of the class comes in finding your own solutions to these problems, so you are compromising the value of your degree. Please do your own work.

Academic Dishonesty: "A fundamental principle of academic, business, and community life is honesty. Violation of this ethical concept will result in penalties ranging from a grade of "F" in the course to dismissal from the University. In all penalties, a letter of fact will be included in the student's file."

Selected University and College Policies

Selected University and College Policies
Code of Academic Integrity Policy Statement
Students at Florida Atlantic University are expected to maintain the highest ethical standards. Academic dishonesty is considered a serious breach of these ethical standards, because it interferes with the university mission to provide a high quality education in which no student enjoys an unfair advantage over any other. Academic dishonesty is also destructive of the university community, which is grounded in a system of mutual trust and places high value on personal integrity and individual responsibility. Harsh penalties are associated with academic dishonesty. For more information, see University Regulation 4.001.

Disability Policy Statement
In compliance with the Americans with Disabilities Act (ADA), students who require special accommodation due to a disability to properly execute coursework must register with the Office for Student Assessable Services (SAS) – in Boca Raton, SU 133, (561) 297-3880; in Davie, LA 131, (954) 236-1657; in Jupiter, SR 117, (561) 799-8585 – and follow all SAS procedures.

Religious Accommodation Policy Statement
In accordance with rules of the Florida Board of Education and Florida law, students have the right to reasonable accommodations from the University in order to observe religious practices **and beliefs with regard to admissions, registration, class attendance and the scheduling of** examinations and work assignments. For further information, please see Academic Policies and Regulations.

University Approved Absence Policy Statement
In accordance with rules of the Florida Atlantic University, students have the right to reasonable accommodations to participate in University approved activities, including athletic or scholastics teams, musical and theatrical performances and debate activities. It is the student's responsibility to notify the course instructor at least one week prior to missing any course assignment.

College of Business Minimum Grade Policy Statement
The minimum grade for College of Business requirements is a "C". This includes all courses that are a part of the pre-business foundation, business core, and major program. In addition, courses that are used to satisfy the university's "Writing Across the Curriculum" and Gordon Rule math requirements also have a minimum grade requirement of a "C". Course syllabi give individualized information about grading as it pertains to the individual classes.

Incomplete Grade Policy Statement

A student who is passing a course, but has not completed all work due to exceptional circumstances, may, with consent of the instructor, temporarily receive a grade of incomplete ("I"). The assignment of the "I" grade is at the discretion of the instructor, but is allowed only if the student is passing the course.

The specific time required to make up an incomplete grade is at the discretion of the instructor. However, the College of Business policy on the resolution of incomplete grades requires that all work required to satisfy an incomplete ("I") grade must be completed within a period of time not exceeding one calendar year from the assignment of the incomplete grade. After one calendar year, the incomplete grade automatically becomes a failing ("F") grade.

Withdrawals

Any student who decides to drop is responsible for completing the proper paper work required to withdraw from the course.

Grade Appeal Process

A student may request a review of the final course grade when s/he believes that one of the following conditions apply:
- There was a computational or recording error in the grading.
- Non-academic criteria were applied in the grading process.
- There was a gross violation of the instructor's own grading system.

The procedures for a grade appeal may be found in Chapter 4 of the University Regulations.

Disruptive Behavior Policy Statement

Disruptive behavior is defined in the FAU Student Code of Conduct as *"... activities which interfere with the educational mission within classroom."* Students who behave in the classroom such that the educational experiences of other students and/or the instructor's course objectives are disrupted are subject to disciplinary action. Such behavior impedes students' ability to learn or an instructor's ability to teach. Disruptive behavior may include, but is not limited to: non-approved use of electronic devices (including cellular telephones); cursing or shouting at others in such a way as to be disruptive; or, other violations of an instructor's expectations for classroom conduct.

Faculty Rights and Responsibilities

Florida Atlantic University respects the right of instructors to teach and students to learn. Maintenance of these rights requires classroom conditions which do not impede their exercise. To ensure these rights, faculty members have the prerogative:

- To establish and implement academic standards

- To establish and enforce reasonable behavior standards in each class

- To refer disciplinary action to those students whose behavior may be judged to be disruptive under the Student Code of Conduct.

Florida Statute Statement

According to Florida State Statute 6A-10.033, students must spend a minimum of 37.5 hours of **in class** time during a 3-credit course. Additionally, students enrolled in a 3-credit course are expected to spend a minimum of 75 hours of **out-of-class-time** specifically working on course-related activities (i.e., reading assigned pieces, completing homework, preparing for exams and other assessments, reviewing class notes, etc.) and fulfilling any other class activities or duties as required.

Course Schedule

Here is the course schedule. Notice that I offer some comments after some articles, which is intended to clarify a point, or to guide you if you should only focus on the main theme or results.

The schedule includes some articles that are designated as EXTRA. These articles will not be covered in class. You are not required to read these extra articles. They are only provided because they fit the topic for that week, and if there was more time available, they would have been covered. I suggest you skim them if you have a special interest in that topic.

Week 1: Fundamentals of Corporate Finance, Information Asymmetry, and Agency Theory.

1. Jensen and Meckling, 1976, Theory of the Firm, Managerial Behavior, Agency Costs and Ownership Structure, *Journal of Financial Economics* 3, 305-360.

2. Myers S. and Majluf,1984, Corporate Financing and Investment Decisions when Firms haveInformation that Investors do not have, *Journal of Financial Economics* 13, 187-221.

3. H. Leland and D. Pyle, 1977, "Informational Asymmetries, Financial Structure and Financial Intermediation", *Journal of Finance*, 32, 371-87.

4. Myers S. and Majluf,1984, Corporate Financing and Investment Decisions when Firms haveInformation that Investors do not have, *Journal of Financial Economics* 13, 187-221.

Week 2: Capital Structure

1. Rajan and Zingales, 1995, What do we know about capital structure? Some evidence from international data, *Journal of Finance* 50, 1421-1460.

2.   Chevalier, Judy, 1995, Capital Structure and product-market competition: empirical evidence from the supermarket industry, *American Economic Review* 58, 415-435.

3. Graham, John, Mark Leary, and Michael Roberts, 2014, A Century of Capital Structure: The Leveraging of Corporate America, *Working Paper*.

4. Opler, Tim, Lee Pinkowitz, Rene Stulz, and Rohan Williamson, 1999, The determinants and implications of corporate cash holdings, *Journal of Financial Economics* 52, 3-46.

5. Dittmar, A., Mahrt-Smith, J., 2007. Corporate governance and the value of cash holdings. *Journal of Financial Economics* 83, 599–634.

Week 3: Dividend Policy

1.   Baker, M. and J. Wurgler, 2012, "Dividends as Reference Points: A Behavioral

Signaling Approach," NBER Working Paper No. 18242.

2.   Fama, Eugene, and Kenneth French, 2001, "Disappearing dividends: Changing firm characteristics or lower propensity to pay?" *Journal of Financial Economics* 60, 3-43.

3.   DeAngelo, Harry, Linda De Angelo, and Douglas Skinner, 2004, Are Dividends Disappearing? Dividend Concentration and Consolidation of Earnings, *Journal of Financial Economics*, 72, 425-456.

4.   Baker, M. and J. Wurgler, 2004, "Appearing and Disappearing Dividends: The Link to Catering Incentives," *Journal of Financial Economics* 73, 271-288.

5.   Bonaime, A.A., K.W. Hankins, and B.D. Jordan, 2013, "Is Managerial Flexibility Good for Shareholders? Evidence from Share Repurchases," Working paper.

6.   John, K., A. knyazeva and D. Knyazeva, 2011, "Does geography matter? Firm location and corporate payout policy," *Journal of Financial Economics* 101, 533-551.

Week : 4 Initial Public Offerings in Financial Markets

1. "Initial Public Offerings" by Ritter, published in <u>Handbook of Modern Finance</u>. [Read this just to learn the basics of IPOs.]

2. "The Post-Issue Operating Performance of IPO Firms", by Jain and Kini, JF 1994. [Focus on the theme and the main results.]

3. "The New Issues Puzzle" by Loughran and Ritter, JF, 1995.

4. "Why Has IPO Underpricing Changed Over Time?" by Loughran and Ritter, FM   2004.

5. "The Quiet Period Goes Out With a Bang" by Bradley, Jordan, and Ritter, JF 2003.
[Focus on the theme and the main results.]

6. "The Expiration of IPO Share Lockups" by Field and Hanka JF 2001. [Focus on the key concepts, specifically the main results.]

7. "Public Market Staging: the Timing of Capital Infusions in Newly Public Firms" by Hertzel, Hudson, and Parrino, JFE 2012 [focus on the main theme and results].

EXTRA "Takeover Defenses of IPO Firms" by Field and Karpoff, JF 2002.

EXTRA "Allocation of Initial Public Offerings and Flipping Activity" Aggarwal, JFE 2003.

EXTRA "Investment Bank Reputation and the Price and Quality of Underwriter Services" by Fang, JF 2005.

EXTRA "Initial Public Offerings: An Analysis of Theory and Practice" by Brau and Fawcett, JF 2006.

EXTRA "Second Time Lucky? IPOs That Return to the Market" by Dunbar and Foerster, JFE 2008.

Week 5: Corporate Governance and Executive Compensation

1. Jensen, M. and K. Murphy, 1990, "Performance, Pay and Top Management Incentives," *Journal of Political Economy* 98, 225-264.

2. Bebchuk, L. and J. Fried, 2003, "Executive compensation as an agency problem," *Journal of Economic Perspectives* 17, 71-92.

3. Gutherie. K., J. Sokolowsky and K. Wan, 2012,"CEO Compensation and Board Structure Revisited," *Journal of Finance* 67, 1149-1168.

4. Bebchuk, L., K. Cremers and U. Peyer, "The CEO pay slice," *Journal of Financial Economics* 102, 199-221.

5. J.R. Graham, S. Li, and J. Qiu, 2011, "Managerial Attributes and Executive Compensation," *Review of Financial Studies.*

6. Hall, B. and K. Murphy,2003, "The Trouble with Stock Options," *Journal of Economic Perspectives 17, 49-70.*

Week 6: Midterm

Week 7. Corporate Governance and Board of Directors

1. Yermack, D., 1996," Higher market valuation of companies with a small board of directors," *Journal of Financial Economics* 40, 185-211.

2. Coles, J., N. Daniel and L. Naveen, 2008, "Boards: Does ones size fit all?" *Journal of Financial Economics* 87, 329-356.

3. Boone, A.L., L.C. Field, J.M. Karpoff, and C.G. Raheja, 2007, "The Determinants of Corporate Board Size and Independence: An Empirical Analysis," *Journal of Financial Economics,* 85 (1): 66-101.

4. Bhagat, S. and B. Bolton, 2013, "Director Ownership, Governance and Performance," *Journal of Financial and Quantitative Analysis,* Volume 48, Issue 01 February.

5. Adams, R., Benjamin E. Hermalin and Michael S. Weisbach, 2010, "The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey", *Journal of Economic Literature,* Vol. 48, No. 1, pp. 58-107

6. Ryan, Harley E., and Roy A. Wiggins III, 2004, "Who is in whose Pocket? Director Compensation, Board Independence, and Barriers to Effective Monitoring", *Journal of Financial Economics* 73, 497-524.

7. Adams, R., and Daniel Ferreira, 2008, "Do Directors Perform for Pay? ",*Journal of*

Accounting and Economics, 46 154– 171.

Week 8: Private Versus Public Ownership of Equity in Financial Markets

1. "Moving From Private to Public Ownership" by Poulsen and Stegemoller, Financial Management 2008. [Focus on the key concepts, specifically the main results of the article.]

2. "Acquisition Valuations of Withdrawn IPOs: When IPO Plans Turn Into Mergers" by Lian and Wang, JBF 2012. [Focus on the main results and implications.]

3. "The Sarbanes-Oxley Act and Firm's Going-Private Decisions" by Engel, Hayes, and Wang, Journal of Accounting and Economics, 2007.

4. "The Intra-Industry Effects of Going Private Transactions" by Slovin, Sushka, and Bendeck, JF 1991.

EXTRA "Why Do Firms Go Dark?", by Marosi and Massoud, JFQA, 2007.

Week 9.   Financial Market Crisis - Cause and Effects

[The first 3 articles are different from most of the academic articles because they are not the traditional empirical studies. Thus, when you summarize each article, focus on the main conceptual points, as if you were trying to teach a class on cause and effects of the crisis, the existing tradeoffs from particular solutions, and implications for the future.]

1. "Causes of the Financial Crisis" by Acharya and Richardson, 2009.

2. "The Credit Rating Agencies: Understanding their Role in the Subprime Debacle of 2007-2008" by White, 2009.

3. "Greed, Financial Innovation or Laxity of Regulation?" by Mazumder and Ahmad, 2010.

4. "Costly External Finance, Corporate Investment, and the Subprime Mortgage Crisis" by Duchin, Ozbas, and Sensoy, JFE 2010. [Focus on the results and implications.]

1. "The Real Effects of Financial Constraints: Evidence from a Financial Crisis" by Campello, Graham, and Harvey, JFE, 2010. [Focus on the main implications.]

2. "The Global Financial Crisis and the Evolution of Markets, Institutions, and Regulation" by Moshirian, JBF 2011. [Focus on the main implications.]

3. "The Credit Crisis Around the Globe: Why Did Some Banks Perform Better?" by Beltratti and Stulz, JFE 2012. [Focus on the main implications.]

There will be much discussion on the interaction between all the financial market participants, and how this creates more systemic risk.

Week 10:

Presentations of your own research papers; discussion of your own research papers by assigned discussants.

Final Exam [There are no makeup exams]

Other new articles may be added to the schedule if they have much potential for enhancing your understanding of research in capital markets.