

THE NORWEGIAN SCHOOL OF ECONOMICS AND BUSINESS ADMINISTRATION

TOPICS IN CORPORATE FINANCE
FIN 501 - PART II

Bergen, Norway
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COURSE DESCRIPTION: Part II of this PhD course surveys important empirical regularities in corporate finance. There are five main themes:

- (1) Performance econometrics: event study techniques and portfolio performance evaluation procedures used to infer valuation impacts of corporate actions.
- (2) Raising capital: how transaction costs and asymmetric information between the firm and outside investors affects firms' ability to raise cash in public securities markets and issuers' choice of flotation method in both seasoned (SEO) and initial (IPO) public offerings of equity.
- (3) Capital structure and bankruptcy: how the structure of financial securities helps reduce agency costs and resolving managerial incentives to over- or under-invest, and a comparison of auctions and negotiations in bankruptcy.
- (4) Corporate takeovers: valuation effects of takeover activity, sources of takeover gains, and empirical investigations of optimal bidding theories for competition preemption, the payment method (cash versus stock), bidder toeholds in the target, and takeover defenses.
- (5) Corporate Governance and executive compensation: evolution and convergence of governance systems around the world, the role of the board and board election procedures, executive compensation, the return to shareholder activism and governance investing.

Given the intensity of the 5-day course, students are encouraged to start reading before the course begins.

TEXTBOOK : The course requires the following two volumes (available in the school's bookstore on site):

BEE-1: Eckbo, B. Espen (ed.), 2007, *Handbook of Corporate Finance: Empirical Corporate Finance, Volume 1*, (Elsevier/North-Holland Handbook of Finance Series), ISBN-9780444508980.

BEE-2: Eckbo, B. Espen (ed.), 2008, *Handbook of Corporate Finance: Empirical Corporate Finance, Volume 2*, (Elsevier/North-Holland Handbook of Finance Series), ISBN-9780444530905.

COURSE REQUIREMENTS: There is a final, take-home exam. In-class, students submit short summaries of selected chapters from BEE-1 and BEE-2.

**TOPICS IN CORPORATE FINANCE
FIN 501 - PART II (ECKBO)**

SESSION II.1: Monday 12/13, 09:15-12:00

PERFORMANCE ECONOMETRICS

Anomalies

Performance econometrics

Insider trading

SESSION II.2: Tuesday 12/14, 09:15-12:00

RAISING CAPITAL

New issues puzzle

IPO-underpricing

SEO flotation method

SESSION II.3: Wednesday 12/15, 09:15-12:00

CAPITAL STRUCTURE AND BANKRUPTCY

Capital structure choice

Dividends

Bankruptcy design

SESSION II.4: Thursday 12/16, 09:15-12:00

CORPORATE TAKEOVERS

Sources of merger gains

Mergers and competition

Optimal bidding

SESSION II.5: Friday 12/17, 09:15-12:00

CORPORATE GOVERNANCE AND COMPENSATION POLICY

Governance systems around the world

Takeover defenses

Returns to shareholder activism

Executive compensation

LIST OF READINGS, FIN 501 - PART II (SSRN-links to articles provided)

Session II.1: Performance Econometrics

Li, Kai and N.R. Prabhala, "Self Selection Models in Corporate Finance", Ch. 2 (BEE-1).

Eckbo, B. Espen, Vojislav Maksimovic, Joseph Williams, 1990, "[Consistent Estimation of Cross-Sectional Models In Event Studies](#)", *Review of Financial Studies* 3, 343-365.

Eckbo, B. Espen and David Smith, 1998, "[The Conditional Performance of Insider Trades](#)", *Journal of Finance* 53, 467-498.

Session II.2: Raising Capital

Eckbo, B. Espen, Øyvind Norli, Ronald W. Masulis, "[Security Offerings](#)", Ch. 6 (BEE-1).

Ljungqvist, Alexander, 2005, "IPO Underpricing", Ch. 7 (BEE-1).

Eckbo, B. Espen, Øyvind Norli, 2005, "[Liquidity Risk, Leverage and Long-Run IPO Returns](#)", *Journal of Corporate Finance* 11, 1-35.

Eckbo, B. Espen, 2008, "[Equity Issues and the Disappearing Rights Offer Phenomenon](#)", *Journal of Applied Corporate Finance* 20 (4), 72-85.

Session II.3: Capital Structure and Bankruptcy

Frank, Murray, Vidhan Goyal, 2005, "Tradeoff and Pecking Order Theories of Debt", Ch. 12 (BEE-2).

Hotchkiss, Edith, Kose John, Robert Mooradian, Karin S. Thorburn, 2005, "Bankruptcy and Financial Distress", Ch. 14 (BEE-2).

Eckbo, B. Espen, Karin S. Thorburn, 2008, "[Automatic Bankruptcy Auctions and Fire-Sales](#)", *Journal of Financial Economics* 89, 404-422

Eckbo, B. Espen, Karin S. Thorburn, 2009, "[Bankruptcy as an Auction Process: Lessons from Sweden](#)", *Journal of Applied Corporate Finance* 21 (3), 36-50.

Session II.4: Corporate Takeovers

Betton, Sandra, B. Espen Eckbo, Karin S. Thorburn, "[Corporate Takeovers](#)", Ch. 15 (BEE-2).

Eckbo, B. Espen, Karin S. Thorburn, "[Corporate Restructuring: Breakups and LBOs](#)", Ch. 16 (BEE-2)

Betton, Sandra, B. Espen Eckbo and Karin S. Thorburn, 2007, "[Merger Negotiations and the Toehold Puzzle](#)", *Journal of Financial Economics* 91, 158-178.

Session II.5: Corporate Governance and Executive Compensation

Eckbo, B. Espen, 2006, "[Corporate governance i et nøtteskall](#)", *Penger og Kreditt* 34, 87-99.

Shleifer, Andrei, Robert W. Vishny, 1997, "[A Survey of Corporate Governance](#)", *Journal of Finance*, 52, 737-783.

Aggarwal, Rajesh, 2008, "Executive Compensation and Incentives", Ch. 17 (BEE-2).

Jensen, Michael C. and Kevin J. Murphy, 2004, "[Remuneration: Where We've Been, How we Got to Here, What are the Problems, and How to Fix them](#)", Working paper, HBS and USC.