

F300 – Corporate Finance

Aims and Objectives:

The objective of this course is to present some major theoretical concepts of modern corporate finance. The ideas behind those theories and their rationale will be discussed, and related empirical research will be examined. The course will also acquaint students with the methodology used in corporate finance, helping them to follow advances in corporate finance research on their own.

Topics:

1. Capital Structure—Agency and Information
 - a. Asymmetric information
 - b. Empirical work on capital structure and information
2. Payout Policy
 - a. Dividends and share repurchases
 - b. Empirical work on dividend policy
3. Corporate Governance
 - a. Agency costs, monitoring, regulation
 - b. Empirical work on corporate governance
4. Corporate Control and Take Overs
 - a. Control rights allocation
 - b. Effective control and inefficient monitoring
 - c. Takeovers
5. Financial Intermediation
 - a. Banks as delegated monitors
 - b. Banks as liquidity providers
 - c. Empirical work on financial intermediation

Assessment:

The examination for this module will be by a 2-hour written exam

Pre-readings:

In what follows, BDM refers to the text *Corporate Finance*, by Berk and DeMarzo (2017). While the course is largely self-contained, it will be assumed that you already understand the material covered in BDM chapters 3 and 4. Topics covered in these chapters include (1) arbitrage, (2) the law of one price, (3)

decision making criteria and (4) the time value of money. It will also be assumed that you understand the balance sheet of the firm, covered in BDM chapter 2.

Readings:

The main text for the course is:

- Berk, J. and P. DeMarzo (2017): *Corporate Finance*, 4th edition, *Pearson*.

The following text cover similar material at roughly the same level and is a good supplementary text:

- Grinblatt, M. and S. Titman (1998): *Financial Markets and Corporate Strategy*, *McGraw-Hill*.

The material on asymmetric information will in part draw on the following text:

- Tirole, J. (2006): *The Theory of Corporate Finance*, *Princeton*.

The following text contains advanced treatments of several relevant topics close to the research frontier:

- Amaro de Matos, J. (2001): *Theoretical Foundations of Corporate Finance*, *Princeton*.

Last, the following text introduces the core concepts of corporate finance at an elementary level:

- Brealey, R. A. and S. C. Myers (2003): *Principles of Corporate Finance*, *McGraw-Hill*.