

Intitulé du cours

Course title – Intitulé du cours	Corporate Finance: Theory and Empirics
Level / Semester – Niveau /semestre	M2 – S4
School – Composante	Ecole d'Economie de Toulouse
Teacher – Enseignant responsable	Silvia Rossetto, Ulrich Hege
Other teacher(s) – Autre(s) enseignant(s)	
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Other teacher(s) – Autre(s) enseignant(s)	
Lecture Hours – Volume Horaire CM	30
TA Hours – Volume horaire TD	0
TP Hours – Volume horaire TP	
Course Language – Langue du cours	English
TA and/or TP Language – Langue des TD et/ou TP	N/A

Teaching staff contacts – Coordonnées de l'équipe pédagogique :

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Course Objectives – Objectifs du cours :

The course will cover the big topics in corporate finance (see course outline). Part 1 (15h, taught by Prof. Silvia Rossetto) focuses on theory while Part 2 (15h, taught by Prof. Ulrich Hege) will address the empirical evidence.

The intended learning outcomes are

- Explain how key frictions (moral hazard, asymmetric information) can be captured in an economic model.
- Assess how such frictions affect financial arrangements of a corporation.
- Describe how selected empirical evidence relates to model predictions.
- Build on existing models so as to capture new effects, with a view to being able to develop one's own research.

Prerequisites – Pré requis :

Good knowledge of intermediate microeconomics and corporate finance at M1; basic econometrics.

Practical information about the sessions – Modalités pratiques de gestion du cours :

Grading system – Modalités d'évaluation :

Part 1: Final exam.

Part 2: referee report / replication (33%), final exam (67%).

Details to be confirmed.

Bibliography/references – Bibliographie/références :

Part 1:

Tirole, 2006, *The Theory of Corporate Finance*, Princeton University Press.

Part 2:

Preferred books on econometrics:

Angrist, D. Joshua, and Jorn-Steffen Pischke (2009) *Mostly Harmless Econometrics: An Empiricist's companion*. Princeton University Press.

Wooldridge, Jeffrey M. (2002) *Econometrics Analysis of Cross-Section and Panel Data*, MIT Press MA.

An updated and extended reading list will be distributed at the beginning of the course. Below are obligatory readings.

Seru, Amit (2014) Firm boundaries matter: Evidence from conglomerates and R&D activity, *Journal of Financial Economics* 111, 381-405

Almeida, Heitor, Murillo Campello, B. Laranjeira, and Scott Weisbenner (2012) Corporate Debt Maturity and the Real Effects of the 2007 Credit Crisis, *Critical Finance Review* 1, 3-58. Available as NBER Working Paper No. 14990.

Baker, Malcolm and Jeffrey Wurgler (2002) Market Timing and Capital Structure, *Journal of Finance* 57, 1-32.

Lemmon, Michael, Michael R. Roberts, and Jaime Zender (2008) Back to the Beginning: Persistence and the Cross-Section of Corporate Capital Structure, *Journal of Finance* 63, 1575-1608.

Kaplan, Steven N., and Zingales, Luigi (1997) Do Investment-Cash Flow Sensitivities Provide Useful Measures of financing constraints?, *Quarterly Journal of Economics* 112, 169-215.

Whited, Toni M., and Guojun Wu (2006) Financial constraints risk, *Review of Financial Studies* 19, 531-559.

Kaplan, Steven and Per Strömberg (2003) Financial Contracting Theory Meets the Real World: An Empirical Analysis of Venture Capital Contracts, *Review of Economic Studies* 70, 281-316.

Puri, Manju and Rebecca Zarutskie (2012) On the lifecycle dynamics of venture-capital- and non-venture-capital-financed firms, *Journal of Finance* 67, 2247-2293.

Acharya, Viral, Ramin Baghai and Krishnamurthy Subramanian (2013) Wrongful Discharge Laws and Innovation, forthcoming, *Review of Financial Studies* 17, 301-346.

Giroud, Xavier, Holger M. Mueller (2010) Does corporate governance matter in competitive industries?, *Journal of Financial Economics* 95, 312-331.

Germán Gutiérrez and Thomas Philippon (2017) Declining Competition and Investment in the U.S., NBER Working Paper 23583, <http://www.nber.org/papers/w23583>

Azar, José and Schmalz, Martin C. and Tecu, Isabel (2018) Anticompetitive Effects of Common Ownership, *Journal of Finance* 73, SSRN: <https://ssrn.com/abstract=2427345>

Mackay, Peter, and Gordon M. Phillips (2005) How Does Industry Affect Firm Financial Structure?, *Review of Financial Studies* 18, 1433–1466.

Harford, Jarrad (2005) What drives merger waves? *Journal of Financial Economics* 77, 529–560.

Ahern, Kenneth R. and Jarrad Harford (2014) The Importance of Industry Links in Merger Waves, *Journal of Finance* 69, 527-576.

Bennedsen, Morten, Kapser Meisner Nielsen, Francisco Perez-Gonzalez, and Daniel Wolfenzon, (2007) Inside the Family Firm: The Role of Families in Succession Decisions and Performance, *Quarterly Journal of Economics* 122, 647-691.

Brav, Alon, Wei Jiang, and Hyunseob Kim (2015) The real effects of hedge fund activism: Productivity, asset allocation, and labor outcomes, *Review of Financial Studies* 28, 2723-2769.

Session planning – Planification des séances

Part 1:

Week 1

Introduction; Modigliani-Miller Theorem; Basic agency problem.
Reading: Tirole, ch. 2, 3.1-3.3

Week 2

Debt overhang; risk shifting; Collateralization;
Reading: Tirole, ch. 4

Week 3

Non-verifiable income & the role of collateral; Holdup by borrower (Hart-Moore); (Tirole, ch. 3.8);

Week 4

Asymmetric Information
Reading: Tirole, ch. 6

Week 5

Monitoring, investor activism, short-termism

Reading: Tirole, ch. 8, 9, 11

Part 2:

Topic 1: Introduction and boundaries of the firm

Topic 2: Capital structure, payout policy, and financial constraints

Topic 3: Financing of innovation and entrepreneurial finance

Topic 4: Corporate Finance and product markets

Topic 5: M&A and Corporate Governance

(The first two topics will take a bit more than two weeks)

Distance learning – Enseignement à distance :

Distance learning can be provided when necessary by implementing:

- *Interactive virtual classrooms*
- *Recorded lectures (videos)*
- *MCQ tests and other online exercises / assignments*
- *Remote (online) tutorials (classes)*
- *Chatrooms*

En cas de nécessité, un enseignement à distance sera assuré en mobilisant:

- *Classe en ligne interactive*
- *Vidéo enregistrée de la présentation du matériel pédagogique*
- *QCM et exercices en ligne*
- *TP/TD à distance*
- *Forum...*