



Graduate School of Decision Science and Technology

Tokyo Institute of Technology

東京工業大学・社会理工学研究科・大学院修士課程・経営工学専攻

Syllabus

Corporate Finance 67079

Corporate Management and Financial Decision

Professor / Kotaro Inoue,

Assistant Professor / Naoshi Ikeda

Autumn 2013

This is a graduate school course of corporate finance. Its goal is to bring master students to the fundamental of corporate finance study so that they can start their own research in this field and other related field such as investment, corporate management, and accounting. Participants are expected to have basic knowledge of finance such as capital assets pricing model (CAPM) beforehand. This course will follow recent literature in discussing central topics of corporate finance such as corporate governance, capital structure, IPO, mergers and acquisitions, and behavioral corporate finance. In particular, we will focus on empirical studies in these fields. All the participants are expected to read all the assigned papers. In addition, each participant will be assigned several papers in the following reading list. The number of assigned paper per student will depend on the class size. The assigned students are expected to read and analyze the paper deeply to prepare presentation about the paper and lead discussion on the paper in the classes. Other students are also expected to read the paper and prepare discussion in the class. In the last two classes, we will discuss cases to provide students a sense how implications from academic researched and real businesses interact. The grade of this course is based on the report for the assigned paper and discussion participation (80%), and class participation in the case study classes (20%).

Reading List

1. Corporate Finance: Introduction (Inoue)
2. Efficient Market (Inoue)

(Assign paper)

Fama (1991) Efficient Market ii

<http://www.jstor.org/stable/2328565>

(Reference Paper)

Kothari and Warner (2007) Econometrics of Event Studies,

<http://xa.yimg.com/kq/groups/22100777/1232924180/name/CH1-%25EE%2580%2580EventS%25EE%2580%2581tudies.pdf>

3. Long-term Performance (Ikeda)

(Assign paper)

Lyon, Barber and Tsai (1999), "Improved Methods for Tests of Long-Run Abnormal Stock Returns," *Journal of Finance*, 54 (1), 165-201.

<http://www.jstor.org/stable/i302119>

(Reference Paper)

Fama (1998), "Market efficiency, long-term returns, and behavioral finance," *Journal of Financial Economics*, 49 (3), 283-306.

<http://www.sciencedirect.com/science/journal/0304405X/49/3>

4. Law and Finance (Inoue)

(Assigned Paper)

La Porta et al. (1998) Law and Finance

<http://mba.tuck.dartmouth.edu/pages/faculty/rafael.laporta/docs/publications/LaPorta%20PDF%20Papers-ALL/Law%20and%20Finance-All/Law%20and%20Finance.pdf>

(Reference paper)

La Porta et al. (2008) The Economic Consequences of Legal Origins

http://www.economics.harvard.edu/faculty/shleifer/files/consequences_JEL_final.pdf

5. Corporate Governance (Inoue)

(Assign paper)

Gompers, P.A., J.L.Ishii, and A.Metrick (2003) Corporate Governance and Equity Prices

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=278920

(Reference paper)

Shleifer and Vishny (1997) A Survey of Corporate Governance

<http://www.economics.harvard.edu/faculty/shleifer/files/SurveyCorpGov.pdf>

6. Board of Directors (Inoue)

(Assign Paper)

Bertrand and Mullainathan (2003) Enjoying the Quiet Life? Corporate Governance and Managerial Preferences

http://dash.harvard.edu/bitstream/handle/1/3429713/Mullainathan_EnjoyingQuietLife.pdf?sequence=2

(Reference Paper)

Jensen (1986) "Agency Costs of Free Cash Flow and Corporate Control."

<http://www.sml.hw.ac.uk/ms75/GP%20Papers/G32.pdf>

7. Management and Firm Performance (Inoue)

(Assign Paper)

Nicholas Bloom and John Van Reenen, (2007) Measuring and Explaining Management Practices Across Firms and Countries, Quarterly Journal of Economics 122 (4): 1351-1408.

<http://www.stanford.edu/~nbloom/MeasuringManagement.pdf>

(Reference Paper)

S. N. Kaplan (1997) Corporate Governance and Corporate Performance: A Comparison of Germany, Japan and the U.S.

<http://onlinelibrary.wiley.com/doi/10.1111/j.1745-6622.1997.tb00627.x/abstract>

8. Managerial Compensation

Cai and Vihj (2007), Incentive Effects of Stock and Option Holdings of Target and Acquirer CEOs, Journal of Finance

<http://faculty.lebow.drexel.edu/CaiJ/JF2007.pdf>

(Reference Paper)

Core, J.E, W.R.Guay, and D.F. Larcher (2003), Executive Equity Compensation and

Incentives: A Survey

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=794806

Frydman, C. (2007) Rising Through the Ranks: The Evolution of the Market for Corporate Executives, 1936-2003

http://web.mit.edu/frydman/www/frydman_market%20for%20executives.pdf

9. Larger Shareholders

(Assign Paper)

Jay Dahyaa, J., O. Dimitrova, J.J. McConnell (2008) Dominant shareholders, corporate boards, and corporate value: A cross-country analysis

<http://www.sciencedirect.com/science/article/pii/S0304405X07001389>

10. Managerial Overconfidence

(Assigned Paper)

Malmendier and Tate (2005), CEO Overconfidence and Corporate Investment, *Journal of Finance*, 2005, 60, 2261-2700

<http://www.nber.org/papers/w10807>

(Reference Paper)

Baker, M. Ruback, R. and Wurgler, J. Behavioral Corporate Finance

http://pages.stern.nyu.edu/~jwurgler/papers/wurgler_baker_ruback.pdf

11. Capital Structure and Cash Hold (Ikeda)

(Assign Paper)

Strebulaev and Yang (2013), "The mystery of zero-leverage firms," *Journal of Financial Economics*, 109 (1), 1-23.

<http://www.sciencedirect.com/science/journal/0304405X/109/1>

(Reference Paper)

Bates, Kahle and Stulz (2009) "Why Do U.S. Firms Hold so Much More Cash than They Used To?" *Journal of Finance* 64 (5), 1985-2021.

<http://www.jstor.org/stable/i27735160>

Modigliani and Miller (1958) The Cost of Capital, Corporation Finance, and the Theory of Investment." *American Economic Review* 48

<http://bbs.cenet.org.cn/uploadImages/200351010534890199.pdf>

Capital Structure: Rajan and Zingales (1995) What do we know about Capital Structure

<http://www.jstor.org/stable/2329322>

Graham, J. and C. Harvey (2001) "The theory and practice of corporate finance: Evidence from the field" *Journal of Financial Economics* 60, 187-243

<http://faculty.fuqua.duke.edu/~jgraham/website/SurveyPaper.PDF>

12. Initial Public Offering (Ikeda)

(Assign Paper)

Derrien and Womack (2003), "Auctions vs. Bookbuilding and the Control of Underpricing in Hot IPO Markets," *Review of Financial Studies*, 16 (1), 31-61.

<http://www.jstor.org/stable/i253959>

(Reference Paper)

Kutsuna and Smith (2004), "Why Does Book Building Drive out Auction Methods of IPO Issuance? Evidence from Japan," *Review of Financial Studies*, 17 (4), 1129-1166.

<http://www.jstor.org/stable/i278691>

13. Mergers and Acquisitions (Inoue)

Jesse Ellis, Sara B. Moeller, Frederik P. Schlingemann, René M. Stulz (2012) Globalization, Governance, and the Returns to Cross-Border Acquisitions

http://www.irim.eur.nl/fileadmin/irim_content/documents/EMSS_May_31_Final.pdf

(Reference paper)

Andrade, Mitchell and Stafford (2001) New Evidence and Perspectives on Mergers, *JEP*15(2)

http://www.people.hbs.edu/estafford/Papers/NewEvidence_PerspectivesOnMergers.pdf

14. Case 1: HBS9-201-063: Seagate Technology Buyout (Inoue)

Topic: Efficient Market and Behavioral Corporate Finance

To be distributed in the class.

15. Case 2: HOYA and Pentax (Inoue)

Topic: Mergers and Acquisitions, Board of Directors, Large Shareholders

To be distributed in the class.