MN20211 Advanced Corporate Finance

Spring Semester, 2012

Textbook(s):

**Required:**

Advanced Corporate Finance: This is a book specially compiled by the lecturer for the course, taking relevant focused chapters from Berk and DeMarzo’s textbook.

In addition to this textbook, the following books are good, and I thoroughly recommend that you may like to view them (they are available in the library, if you do not wish to buy them!):

**Corporate Finance (European Edition):** by Hillier, Ross, Westerfield, Jaffe, and Jordan.

**Behavioural Corporate Finance** by Hersch Shefrin.

**6 roundtable discussions of corporate finance** Editor Joel Stern.

**Revolution in Corp Finance** Stern and Chew editors.

**Dividend policy: its impact on firm value:** Lease et al.

You do not have to obtain any of these, but if you can view any of them, they will strengthen your knowledge/understanding of the subject of corporate finance, and the issues being researched and analyzed at academic and practitioner level.

The lectures will NOT simply be carbon-copies of the book, but will cover material BEYOND the book, such as academic articles. Therefore, it is essential that you attend the lectures AND read the book and recommended articles.

*Please note that the text-books support (and are complementary to) the lecture slides. That is, the lectures do not follow the text-book exactly. The lectures cover material beyond the text-books (such as journal articles). It is up to the student to read/research beyond the text-book and the lectures (eg read the articles, use Google, SSRN and the financial press).*

*Furthermore, if the recommended textbook is unavailable to you, the library has a whole host of alternative corporate finance books around the 658.15 reference. They all cover similar topics.*
In addition to the lectures and the books, you will be expected to read some academic articles around the subject. I have suggested some good articles below (list to be updated).

**General Corporate Finance articles:**


**1. Investment Appraisal /Decision Trees/real options.**

Suggested Readings:


**2. The Financing Decision/ Optimal Capital Structure, Agency Costs, Signalling.**


III Payout Policy.

a) Dividend Policy.


b) Repurchases:

• McNally, W.J. “Open Market Stock Repurchase Signalling.” SSRN.

Mergers and Acquisitions:


Behavioral Corporate Finance: Text-book: Hersh Shefrin

• Joyce. “Options and the behavioral aspects of the ability to revise.” 2002 Mimeo.
• Harbaugh. “Skill Reputation, prospect theory, and regret theory.” 2002 SSRN. *
• Gervais et al. “Overconfidence, Investment Policy, and Executive stock Options.” 2003 SSRN.
• Shefrin. “Behavioral Corporate Finance.” SSRN. *

• Fairchild’s papers:-
• “The Effect of Managerial Overconfidence, Asymmetric Information, and Moral Hazard on Capital Structure Decisions.” Posted to SSRN database 29/04/05.

b) Venture Capitalism:


Ayayi, A. “Optimal Capital Structure and the interactions between New Venture Investment and Venture Capital Finance.” SSRN.


Fairchild’s papers:-


**Private Equity:**

TBA
The lecture schedule is as follows:

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<th>Week</th>
<th>Week Commencing</th>
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<th>Book chapters</th>
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<td>6/2/12</td>
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<td>20</td>
<td>13/2/12</td>
<td>Investment Flexibility/real options</td>
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<td>21</td>
<td>20/2/12</td>
<td>Portfolio theory/CAPM</td>
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<td>22</td>
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<td>23</td>
<td>5/3/12</td>
<td>Capital Structure</td>
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<td>24</td>
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<td>Introduction to Behavioural corporate finance I</td>
<td>N/A: see lecture and articles</td>
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<td>30</td>
<td>23/4/12</td>
<td>Intro to Behavioural corporate finance II</td>
<td>N/A: see lecture and articles</td>
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<td>Revision II</td>
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The exam will consist of numerical questions (there will be a chance for you to practice example numerical questions during the semester to help you prepare for these), and essays, testing your understanding of the concepts of CF. Past exam papers are available on the library website. You are advised to look at these so that you are prepared for the exam.