Course Outline

Seminar in Corporate Finance - FIN 9233

INSTRUCTOR: Dr. Theodor Kohers Fall 2002

OFFICE AND HOURS: #341 McCool Hall; Monday through Friday: 10:00 - 11:30 a.m.,
Monday: 2:00 - 3:00 p.m., and by appointment.

CLASS MEETING: Wednesdays from 3:30 to 6:00 p.m. in the Carl Conference Room,
Graduate Studies in Business, McCool Hall.

PREREQUISITES: A student should have a solid background in managerial finance and money and capital markets, and feel comfortable with financial accounting, micro and macro-economics, and in the use of statistical and other quantitative tools and various PC software. Also, a positive attitude and eagerness to learn is essential to the successful completion of this course.

NOTE: What matters most is that the student has built up a necessary body of knowledge typically acquired in these prerequisite courses. If deficiencies exist, it is the student's responsibility to make up for them.

Introduction: Finance is the cornerstone of the Business system. Because of its critical importance to the firm, financial concepts should be thoroughly understood. Some aspects of finance are relatively complex, dynamic, and undergo constant change in response to new developments. As a result, finance is stimulating and exciting, but challenging as well. A thorough understanding of financial concepts is essential not only for financial managers, but for anyone involved in business activities or personal financial decision-making.

Course Objectives: As one of the doctoral student core requirements, this course consists primarily of presentations and discussions of the major contributions to the literature dealing with the theory and policy of corporate finance.

The two main objectives of this course are: (1) to encourage students (a) to develop their skills in the understanding, analysis, and interpretation of the corporate finance literature, and (b) to apply the knowledge gathered from readings, lectures, and experience to formulate their own research projects, and (2) to help doctoral students in the preparation for the doctoral comprehensive examinations (majors and minors) in finance.

Course Procedures: Most of this course consists of presentations and discussions of the relevant literature in corporate finance theory and policy. The proper analysis and critique of assigned articles require the application of various theories and concepts covered in prerequisite courses and during review lectures in this class. Each student is held responsible for the write-up of a summary (1-2 pages) and the presentation of the assigned papers.
In this context, it should be noted that your class participation grade will reflect not only the quality of your article presentations, but also your comments and insights on the paper presentations by other students. Specifics on the presentations and the write-ups will be announced in class. Finally, students must comply with all applicable academic rules of conduct (for specifics, see the MSU Academic Misconduct Policy).

**Term Project:** Most academic institutions require their faculty members to engage in original, scholarly research for tenure, retention, promotion, and compensation decisions. Thus, it is of critical importance to a doctoral student to acquire “hands-on” experience in conducting quality research. Consequently, as part of the requirements of this course, a student has the choice of preparing either (a) a complete research paper, or (b) two research proposals. The format for either should follow that of a typical journal article, i.e., problem statement, objectives, literature review, discussion of methodology and data, presentation and interpretation of results, and summary and implications. The student’s selected topic(s) needs to be approved by the instructor.

The grading of the term project will be based on the following factors: (a) overall quality, (b) effort spent on the project, and (c) quality and appearance of the finished paper or proposals. As a rule, to qualify as a term project, the paper or proposals must be of such quality to be acceptable at a regional or national (refereed) finance meeting.

Possible topic areas and other details of these projects will be announced early in the semester.

**Use of PC’s:** Within the College of Business or elsewhere on campus, you have access to a variety of computer platforms (e.g., Windows, Macintosh, Unix) with corresponding application software. You are strongly encouraged to use any of this equipment and the software programs or your own in the preparation of your assignments.

**Exams:** The two exams will consist of essay questions similar in nature to those found in the corporate finance section of the doctoral comprehensive exams. The second (final) exam is comprehensive. The material on the exams comes from the assigned readings and class discussions.

**Grading:** The student’s final grade for this course will be determined as follows:

(REMEMBER: A passing grade has to be earned: it is not automatic.)

<table>
<thead>
<tr>
<th>ITEMS:</th>
<th>WEIGHT:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Mid-term Examination</td>
<td>20%</td>
</tr>
<tr>
<td>(2) Final Examination (comprehensive)</td>
<td>25%</td>
</tr>
<tr>
<td>(3) Research Paper or 2 Proposals</td>
<td>30%</td>
</tr>
<tr>
<td>(4) Paper presentations, critiques, and participation</td>
<td>25%</td>
</tr>
<tr>
<td>Total:</td>
<td>100%</td>
</tr>
</tbody>
</table>

Students will be graded on a curve. (Specifics will be announced in class.) Non-quantitative factors such as the originality and quality of class participation, improvement on examinations, rank in the class, or other extenuating factors will be taken into account in the grading process.
**Text:** Optional

For review and background information, the following texts are useful:


**Assignments:** (The schedule below is tentative and subject to adjustment as the class proceeds).

<table>
<thead>
<tr>
<th>Week</th>
<th>Topics</th>
</tr>
</thead>
</table>
| 1 | **Introduction**  
(a) Outline of the Course  
(b) Orientation and Review  
(c) Introductory Readings (see List of Readings) |
| 2 | I. **Capital Structure: Theory and Empirics**  
(For specifics, see enclosed List of Readings.) |
| 5 | II. **Dividend Policy: Theory and Evidence**  
(For specifics, see enclosed List of Readings.) |
| 7 | III. **Security Issuance**  
(For specifics, see enclosed List of Readings.) |
| (to be announced) | **Semester Exam #1** |
| 11 | IV. **Mergers, Restructuring, and Corporate Control**  
(For specifics, see enclosed List of Readings.) |
| 13 | V. **Information Asymmetry and Signaling Effects**  
(For specifics, see enclosed List of Readings.) |
| 15 | VI. **Issues in Corporate Governance**  
(For specifics, see enclosed List of Readings.) |
| (to be announced) | **Final Exam**  
(Good Luck!)  
TBA. |

**NOTE:** Material in this course outline is subject to adjustments at the discretion of the instructor!