

# Topics in Corporate Finance

## Module 2, Academic Year 2022-2023

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### Course information

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**Course Website:** [my.nes.ru](http://my.nes.ru)

**Instructor's Office Hours:** find me on Skype [pavle.radicevic](https://www.skype.com/people/pavle.radicevic)

**Class Time:** TBA

**Room Number:** online

**TAs:** TBA

### Course description

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The goal of this course is to introduce students to various topics in corporate finance which do not get adequate textbook treatment. Rather than providing an exhaustive overview of the field, the course focuses on selected topics which go beyond the traditional theory and have more application to corporate management. The course will have integrate light theory, empirics and case studies to deliver the material.

The course is split into three parts and starts off with issues concerning the most fundamental topic in corporate finance which is that of corporate control. Internal and external control mechanisms are discussed to give a detailed overview, which provides solid background for the two remaining topics which are centered around the topic of the boundaries of the firm: Mergers and Acquisitions (growth strategy) and Corporate Breakups and Divestitures (shrinkage strategies).

### Course requirements, grading, and attendance policies

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Course prerequisites: Corporate Finance

Attendance policy: There is no formal attendance policy, however, the attendance of each class is strongly recommended.

Grading policy: The grade for the course will be based on two individual assignments (25% each), and a final exam (50%).

The assignments are due at specified times (uploaded electronically to my.nes.ru or sent to the TA by email (cc me)) and will not be accepted after the deadline (unless in exceptional circumstances, provided that you have arranged with me in advance). For your own understanding it may also be helpful to try solving problems at the end of the relevant chapter of the book.

## **Course contents**

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The course schedule (both in content and in order), with an approximate number of lectures for each topic in brackets is given below; a star indicates time-permitting or to be covered at the seminar. Note that it is the first time the course is offered and contents and/or order may be dynamically adjusted.

### **I. Corporate Governance and Control – Incentive Provision (2 Lectures)**

- Internal and External Governance Mechanisms
    - i. Executive Compensation
    - ii. Corporate Boards – Monitoring and Advising roles
    - iii. Market for Corporate Control
    - iv. Creditor Control and Financial Contracting
  - Case study: Corporate Fraud – Sarbanes Oxley Act
- Literature: (BD) Chapter 29, (R) in the form of survey articles will be provided

### **II. Mergers & Acquisitions (3 Lectures)**

- Do mergers really occur, and what makes them different to acquisitions?
- Synergistic (operating and financial) vs Hostile takeovers – Scharfstein (1998) Framework
- Vertical vs Horizontal takeovers
- Takeover Defenses and Efficiency
- Private benefits and Market for Corporate Control
- Gains and Losses from Takeovers – empirics has the final word
- Market Power concerns

Literature: (BD) Chapter 28, Scharfstein (1988), Kang and Radicevic (2019), (R) Empirical articles and cases will be provided

### **III. Corporate Restructuring: Breakups and Leveraged Transactions (2 Lecture)**

- Divestitures as Negative Mergers (Boundaries of the Firm)
- Leveraged Recapitalizations and Leveraged Buyouts (LBOs)
- Spin-offs, Carve-outs and Divestitures
- Split offs and Split ups
- Tracking Stocks – Security Design
- Cases: TBA

Literature: Handbook of Empirical Corporate Finance (Chapter 16) is provided on mynes ; (R) Empirical articles and cases will be provided

## **Course materials**

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### **Required textbooks and materials**

(BD) Berk and DeMarzo, *Corporate Finance*, Pearson International Edition, First Edition, 2007.

(R) Research Papers will be assigned for each week and posted on mynes. This will be a mix of theory, both in discrete and continuous time, as well as empirical research.

(W) Welch, *Corporate Finance: 3rd Edition*, 2014. The book is freely available in electronic form (but not for download) at <http://book.ivo-welch.info/ed3/> – this is a relatively new textbook, which has very good intuition on some fundamental issues in Corporate Finance, but some more advanced topics (which we will cover in this class) are not covered. (THIS IS OPTIONAL FOR THE BASIC COVERAGE OF TOPICS)

### **Academic integrity policy**

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Read the NES Honor Code. You must not cheat on the problem sets and final and must report any violations to me. We may also make random copies of exams.