



TOPICS IN CORPORATE FINANCE

FIN 501

Part 2 of a PhD course taught at

THE NORWEGIAN SCHOOL OF ECONOMICS AND BUSINESS ADMINISTRATION

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DESCRIPTION

Part II surveys important empirical regularities in corporate finance. There are five main themes:

- (1) Performance econometrics: event study techniques and portfolio performance evaluation procedures used to infer valuation impacts of corporate actions.
- (2) Raising capital: how transaction costs and asymmetric information between the firm and outside investors affects firms' ability to raise cash in public securities markets and issuers' choice of flotation method in both seasoned (SEO) and initial (IPO) public offerings of equity.
- (3) Capital structure and bankruptcy: how the structure of financial securities helps reduce agency costs and resolving managerial incentives to over- or under-invest, and a comparison of auctions and negotiations in bankruptcy.
- (4) Corporate takeovers: valuation effects of takeover activity, sources of takeover gains, and empirical investigations of optimal bidding theories for competition preemption, the payment method (cash versus stock), and bidder toeholds in the target.
- (5) Corporate Governance: evolution of governance systems around the world, the role of the board and board election procedures, executive compensation, the return to shareholder activism and governance investing.

TOPICS IN CORPORATE FINANCE
FIN 501, PART 2
Professor B. Espen Eckbo
December 2007

SESSION 2.1: Monday 12/17, 09:00-12:00

PERFORMANCE ECONOMETRICS

Anomalies

Performance econometrics

Insider trading

SESSION 2.2: Tuesday 12/18, 09:00-12:00

RAISING CAPITAL

New issues puzzle

IPO-underpricing

Rights offer paradox

SESSION 2.3: Tuesday 12/18, 13:00-16:00

CAPITAL STRUCTURE AND BANKRUPTCY

Capital structure choice

Dividends

Bankruptcy auctions

SESSION 2.4: Wednesday 12/19, 09:00-12:00

CORPORATE TAKEOVERS

Sources of merger gains

Mergers and competition

Optimal bidding and the toehold puzzle

SESSION 2.5: Thursday 12/20, 09:00-12:00

CORPORATE GOVERNANCE

Governance systems around the world

Takeover defenses

Returns to shareholder activism

LIST OF READINGS

The readings refer to several journal articles as well as to two books, BEE-1 and BEE-2. The books are:

BEE-1: Eckbo, B. Espen (ed.), 2007, *Handbook of Corporate Finance: Empirical Corporate Finance*, Volume 1, (Elsevier/North-Holland Handbook of Finance Series), ISBN-13: 978-0-444-50898-0 (558 pages).

BEE-2: Eckbo, B. Espen (ed.), 2008, *Handbook of Corporate Finance: Empirical Corporate Finance*, Volume 2, (Elsevier/North-Holland Handbook of Finance Series), in progress.

Note: BEE-1 must be purchased. Restricted access to selected chapters of BEE-2 are available at:

<http://mba.tuck.dartmouth.edu/pages/faculty/espen.eckbo/teaching-DW.html>

Scroll down to “Topics in Corporate Finance (PhD)”. Password for access will be given in class.

Session 2.1: Performance Econometrics

Eckbo, B. Espen, Vojislav Maksimovic and Joseph Williams, 1990, “[Consistent Estimation of Cross-Sectional Models In Event Studies](#)”, *Review of Financial Studies* 3, 343-365.

Eckbo, B. Espen and David Smith, 1998, “[The Conditional Performance of Insider Trades](#)”, *Journal of Finance* 53, 467-498.

Additional suggested readings:

Li, Kai and N.R. Prabhala, “[Self Selection Models in Corporate Finance](#)”, in BEE-1.

Session 2.2: Raising Capital

Eckbo, B. Espen and Øyvind Norli, 2005, “[Liquidity Risk, Leverage and Long-Run IPO Returns](#)”, *Journal of Corporate Finance* 11, 1-35.

Eckbo, B. Espen, Øyvind Norli and Ronald W. Masulis, “[Security Offerings](#)”, in BEE-1.

Additional suggested readings:

Eckbo, B. Espen, Øyvind Norli and Ronald W. Masulis, 2000, “[Seasoned Security Offerings: Resolution of the ‘New Issues Puzzle’](#)”, *Journal of Financial Economics* 56, 251-291.

Ljungqvist, Alexander, 2005, “[IPO Underpricing](#)”, in BEE-1.

Session 2.3: Capital Structure and Bankruptcy

Frank, Murray and Vidhan Goyal, 2005, “[Tradeoff and Pecking Order Theories of Debt](#)”, in BEE-2.

DeAngelo, Harry, Linda DeAngelo and Douglas J. Skinner, 2004, "[Are Dividends Disappearing? Dividend Concentration and the Consolidation of Earnings](#)", *Journal of Financial Economics* 72, 425-456.

Eckbo, B. Espen and Karin S. Thorburn, 2007, "Automatic Bankruptcy Auctions and Fire-Sales," *Journal of Financial Economics*, forthcoming. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=963184

Additional suggested readings:

Graham, J., 2005, "[Taxes and Corporate Finance](#)", in BEE-2.

Hotchkiss, Edith, Kose John, Robert Mooradian and Karin S. Thorburn, 2005, "[Bankruptcy and Financial Distress](#)", in BEE-2.

Eckbo, B. Espen and Karin S. Thorburn, 2005, "[Creditor Financing and Overbidding in Bankruptcy Auctions](#)", Working Paper, Tuck School of Business at Dartmouth. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=635643

Session 2.4: Corporate Takeovers

Eckbo, B. Espen, 1983, "[Horizontal Mergers, Collusion and Stockholder Wealth](#)", *Journal of Financial Economics* 11, 241-273.

Betton, Sandra, B. Espen Eckbo and Karin S. Thorburn, 2007, "[Merger Negotiations and the Toehold Puzzle](#)", Working Paper, Tuck School of Business at Dartmouth. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=715601

Additional suggested readings:

Betton, Sandra and B. Espen Eckbo, 2000, "[Toeholds, Bid-Jumps, and Expected Payoffs in Takeovers](#)", *Review of Financial Studies* 13, 841-882.

Betton, Sandra, B. Espen Eckbo and Karin S. Thorburn, "[Corporate Takeovers](#)", in BEE-2.

Session 2.5: Corporate Governance

Shleifer, Andrei, and Robert W. Vishny, 1997, "[A Survey of Corporate Governance](#)", *Journal of Finance*, 52, 737-783.

Gompers, Paul A., Joy L. Ishi and Andrew Metrick, 2003, "[Corporate Governance and Equity prices](#)", *Quarterly Journal of Economics*, 107-155.

Jensen, Michael C. and Kevin J. Murphy, 2004, "[Remuneration: Where We've Been, How we Got to Here, What are the Problems, and How to Fix them](#)", Working paper, HBS and USC.

Additional suggested readings:

Eckbo, B. Espen, 2006, [Corporate governance i et nøtteskall](#), *Penger og Kreditt* 34, 87-99.

La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert Vishny, 2000, "[Investor Protection and Corporate Governance](#)", *Journal of Financial Economics* 58, 3-27.

Comment, Robert and G. William Schwert, 1995, "[Poison or Placebo? Evidence on the Deterrence and Wealth Effects of Modern Antitakeover Measures](#)", *Journal of Financial Economics* 39, 3-43.

Jensen, Michael C., 1993, "[The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems](#)", *Journal of Finance* 48, 831-880.