Finance 594 CORPORATE FINANCE  
Fall 2005  
SYLLABUS  
Bo Becker

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Office Hours: By appointment

Course Materials: Mostly articles and working papers. Most are available from journal web pages, NBER, SSRN, and JSTOR. See reading list below.

Class meetings: Wed 01:00-04:50

Class venue: ARR Wohlers Hall

Course Description: A thorough doctoral level class on corporate finance, covering theory and empirical work. See tentative schedule below. We will cover traditional issues like capital structure, pay-out policy, and financial distress, as well as corporate governance and control, mergers and acquisitions, agency theory, banking. The theory of the firm will be covered as required to establish underpinnings. Finally, international issues, and financial development will be covered. The class should be seen as a step toward dissertation research.

Examination and grades: Problem sets (30%), Referee reports (30%), Class participation (10%) and Research project outlines (30%)

Problem sets: Assignments will be handed out in class, and are due one week later at the beginning of class or in my mail folder before that.

Outline & literature: See next page.
<table>
<thead>
<tr>
<th>Date</th>
<th>Lecture #</th>
<th>Class Topic</th>
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<tbody>
<tr>
<td>Aug 31</td>
<td>1</td>
<td>Introduction, M&amp;M, taxes</td>
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<tr>
<td>Sep 7</td>
<td>2</td>
<td>Bankruptcy and distress</td>
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<td>Sep 14</td>
<td>3</td>
<td>Moral hazard (executive compensation)</td>
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<td>Sep 21</td>
<td>4</td>
<td>Debt overhang, asymmetric info, pecking order</td>
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<td>Sep 28</td>
<td>5</td>
<td>Theory of the firm</td>
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<td>(PS1 due)</td>
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<td>Oct 5</td>
<td>6</td>
<td>Theories of debt: CSV, control, theories of equity</td>
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<td></td>
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<td>(First two referee reports due)</td>
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<td>Oct 12</td>
<td>7</td>
<td>Raising capital [MW]</td>
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<td>Oct 19</td>
<td>8</td>
<td>Control [MW]</td>
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<td>Oct 26</td>
<td>9</td>
<td>Internal capital markets investment, liquidity constraints, product markets and business cycles</td>
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<td>(PS2 due)</td>
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<tr>
<td>Nov 2</td>
<td>10</td>
<td>Inefficient markets, irrational managers</td>
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<td>Nov 9</td>
<td>11</td>
<td>M&amp;A</td>
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<td>(Second two referee reports due)</td>
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<td>Nov 16</td>
<td>12</td>
<td>Banks: delegated monitoring, relationships</td>
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<td>(PS3 due)</td>
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<td>Nov 30</td>
<td>13</td>
<td>Finance and economic performance around the world</td>
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<tr>
<td>Dec 7</td>
<td>14</td>
<td>Finance and economic performance (II)</td>
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<tr>
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<td>(Research project outlines due)</td>
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Reading list (preliminary)
(Readings marked with a * required/emphasized)

1. **Introduction, Modigliani Miller theorem, taxes**


2. **Bankruptcy and distress**


3. **Moral hazard (executive compensation)**


4. **Debt overhang, asymmetric info, pecking order**


5. **Theory of the firm**


6. **Theories of debt: CSV, control, theories of equity**


7. **Raising capital [MW]**


**A. Initial Public Offerings**


**B. Issuing other Securities**


**C. Financing New Ventures**


**8. Control [MW]**


**A. The Entrenchment Problem**


B. Internal Mechanisms of Control

1) Incentive Contracts and Other Direct Incentives


2) Boards of Directors


3) Management Turnover


4) Managerial Labor Markets


C. External Mechanisms of Control

1) Proxy Voting and Institutional Activism


2) Takeovers


9. **Investment, liquidity constraints, product markets and business cycles, internal capital markets**


10. **Inefficient markets, irrational managers**


11. **M&A**

Manne (1965)


12. **Banks: delegated monitoring, relationships**


13. **Finance and economic performance around the world**

A. Finance


**B. Institutions**


REFERENCE BOOKS


Chandler, A. 1990, Scale and Scope. The Dynamics of Industrial Capitalism.


