

# Corporate Finance

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## Goal

This course plans to discuss some interesting issues in corporate finance.

## Grading

Our grade is simple: a midterm exam (45%), presentations (30%), pop quizzes (5~10%), and Participation (5~10%). For midterm exam, it is a closed-book exam. We will have a review session for the midterm exam to relieve your tension before it. Students usually find the review session is extremely helpful to prepare the exam. Next, presentation is tricky because it is a relative concept. Some presentations are extremely good and some are relatively weak. Even it is a group presentation, each member in the group needs to present around ten minutes. You get your personal score and group score. There is no chance for free riders. My experience is that students typically underestimate its importance and overestimate the score they will get. Third, pop quiz is very easy. In the class, I will ask you a very short question which is just discussed. It is an open-book test and is designed to help you to grasp the materials immediately. You should get full score of it. Finally, we can never downgrade the class participation. It will account for 5~10% of your grade. Most of the time, everyone has at least 85% of it. However, if you constantly discuss with me in the class, you will get 99% of it. While we all know that it is subjective, it happens in daily life. Thus, we do not pretend that it does not exist.

## Articles (materials will be slightly change when we start to teach)

### 1. What are the financial ratios for? Credit Risk

- a. Basic BS and IS, Shen
- b. Introduction of Z-score, Shen
- c. Corporate distress prediction model in a turbulent economic model and Basel II, Altman, 2002

- d. Tests of Generalization of Altman's bankruptcy prediction model, Grice and Ingram, Journal of Business Research, 2001, 53-61
- e. Cross-Industry Differences in Business Failure Rates: Implications for portfolio management, Taylor
- f. Robust Logistic model, Shen

## **2. Earnings Management**

- a. Basic concept of EM
- b. Investor protection, prospect theory and earnings management, JBF, Shen and Chih, 2006
- c. An Empirical Comparison on Earnings Management between Banks and Non-Bank Firms around the World, Chih, Chi and Shen
- d. Is the Effect of Earnings Management Neutral on the Bank Cost of Debt? —The Credit Rating Approach—, Shen and Huang

## **3. Cash Flow Right and Voting Rights**

- a. Separation of ownership and control in east Asian , corporation **CDH 2000 JFE**
- b. Can the Deviation between Ownership and Control Explain Bank Performance in Taiwan?

## **4. Dividend Policy**

- a. Basic concept of dividend policy
- b. Agency problem and Dividend policy around the world, 2000 Journal of Finance, Laporta
- c. Gugler, K, and B. B. Yurtoglu (2002), Corporate Governance and dividend pay-out policy in Germany, European Economic Review, 2003, 731-758
- d. Corporate governance and dividend policy in emerging market, Mitton, 2004, 409-426
- e. Bank dividend policy explanatory factors, QJBE, 2003

## **5. Tax Avoidance**

- a. Debt or Equity

## **6. Valuation: Ohlson model**

a. The Ohlson Model: Contribution to Valuation Theory, Limitations, and Empirical Applications

- b. The explanatory and predictive power of different specifications of the Ohlson (1995) valuation models, *Michael McCrae University of Wollongong, Australia*  
*Henrik Nilsson University of Umeå, Sweden* *The European Accounting Review* 2001, **10:2**, 315–341

## **7. Merger**

- a. Basic Studies of Merger, Shen
- b. Cross border Bank-Merger? What Lure Rare animals? 2004; Buch and Delong, JBF
- c. Do takeovers create value? A residual income approach on UK data, Bild, Guest, Cosh and Runsten, 2002
- d. Where do Bank Expand Abroad? An Empirical Analysis, Focarelli and Pozzolo

## **8. Cross Listing**

- a. Taiwan Basic introduction
- b. The Geographic of Cross-Listing, why do companies list abroad? Pagano, Roell, Journal of Finance
- c. What makes stock exchanged succeed? Evidence from cross listing decisions Pagano, Randel, Rodell and Zechner; EER
- d. Oversea Listing decision, new evidence of proximity preference, review of financial statistics, 2004

## **8. Corporate Governance**

- a. Law and Finance, LLSV, JPE, 1998
- b. Do regulations affect bank performance? Governance may matter? Shen and Chang, CEP, 2005

- c. Too Much Pay to Board Members and Too Little Pay to Shareholders – Does Governance Help?
- d. Does Corporate Social Responsibility Pay off? – The Application of Matching Methods – Shen and Chang

**9. Conflicts of Interest**

- a. Comparing the stock recommendation performance of investment banks and independent research firms, Barber, Lhavy and Trueman, 2004
- b. Conflicts of Interest in the Stock Recommendations of Investment Banks and Their Determinants, Shen and Chih, JFQA, 2008
- c. Can Investor profit from the prophets? Security analyst recommendations and stock returns Barber, Lehavy, JF, 2001
- d. Put your money where your mouth is: why do firms issue analyst recommendations? Chan, Chang and Wang, 2004