Corporate Finance

Chung-Hua Shen

Chshen01@ntu.edu.tw

TEL: 33661087

Course Objective:

This course is designed to teach corporate finance in a systematic way. It is assumed that students have basic concept of corporate finance. The course is hoped to provide the intermediate background regarding financial management. Students are expected to learn knowledge on the two major subjects and make good preparation for the advanced courses. It is also important for students to understand that those objects are connected to each other in the real business world.

Grading

Our grade is simple: a midterm exam (45%), presentations (30%), pop quiz (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 takes place. Students usually find the review session is extremely helpful for them to prepare the exam.

Next, grading presentation is not easy and even 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 his work 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. Thus, I stress that it is a relatively concept. Even though you think your presentation is extremely good, you may still not get A+++ because theirs is even better.

Third, pop quiz is very easy. In the class, I will ask you a very short question which is just discussed during my lecture. It is an open-book test and is designed to help you to grasp the materials immediately. In fact, it is the bonus of attending the class. You should get full score of it.

Finally, we can never downgrade the importance of the class participation. It will account for 5~10% of your grade. Most of the time, everyone obtain 85% of it because I cannot tell your participation. However, if you constantly discuss with me in the class (with smiling face), your score will immediately rise up to 99%. While we all know that it is subjective, the subjective evaluation happens in our daily life. Thus, let us not pretend that it does not exit. Also, let us practice it before we go to the real world.

Articles: note that schedules and materials will be changed when there are anecdotal events occur. Or some interesting things are heated discussed among practitioners.

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. **C**an the Deviation between Ownership and Control Explain Bank Performance

in Taiwan**?**

4. Law, Finance and Growth

a. Law and Finance, LLSV, JPE, 1998

b. Law, Finance and China, JFE, 2006

c. Do regulations affect bank performance? Governance may matter? Shen and Chang, CEP, 2005

5. 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

6. Tax Avoidance

a. Debt or Equity

7. Valuation: Ohlson model

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

b. The explanatory and predictive power of different speci. cations of the Ohlson (1995) valuation models, *Michael McCrae University of Wollongong, Australia Henrik Nilsson University of UmeaÊ , Swede The European Accounting Revie* 2001, **10:2**, 315–341

8. Merger

a. Basic Studies of Merger, Shen

b. Overpayment Hypothesis,

c. Cross border Bank-Merger? What Lure Rare animals? 2004; Buch and Delong, JBF

d. Do takeovers create value? A residual in come approach on UK data, Bild, Guest, Cosh and Runsten, 2002

9. Political Connection and Corporate Finance

a Do Politically Connected Boards Affect Firm Value? Goldman, RFS

b **Corporate Political Contributions to stock returns, JF, 2010, 687~**

10 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

11 Conflicts of Interest

e. Comparing the stock recommendation performance of investment banks and independent research firms, Barber, Lhavy and Trueman, 2004

f. Conflicts of Interest in the Stock Recommendations of Investment Banks and Their Determinants, Shen and Chih, JFQA, 2008

g. Can Investor profit from the prophets? Security analyst recommendations and stock returns Barber, Lehavy, JF, 2001

h. Put your money where your mouth is: why do firms issue analyst recommendations? Chan, Chang and Wang, 2004