



Finance 726- Advanced Corporate Finance -Tentative Syllabus Spring 2009

Prof. S. Abraham Ravid

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The course will provide a hands-on approach to problems of corporate finance.

We will survey major issues of interest in corporate finance, including mergers, corporate governance, bankruptcy, IPO's debt issuance and organizational form. There will also be class discussions of current topics; we may deviate somewhat from the syllabus as events unfold.

Students can work in groups of up to four people on cases and presentations (see below). Presentations and final projects cover corporate events and should put these events in the context of the material covered in class. The project should cover a different event than the presentation. The presentations are intended to enhance learning. There are dates set up for student presentations and each date will include presentations of events related to recently covered material.

The grade composition will be: final project 40%, presentation 25%, cases 25% and class participation 10%. The grading policy will be the Wharton mandated policy.

Class participation means being present in class and being involved in the discussion. However, obviously in large classes students are not necessarily expected to ask questions or participate every class session.

Textbook and additional material: Notes will be posted on webacafe. The textbook offers only partial coverage of the class material. The recommended text is:

Principles of Corporate Finance, Brealey Myers and Allen, 9th edition, 2008, McGraw Hill.

Another text which covers the same material is:

Corporate Finance, Ross Westerfield, Jaffe, 8th edition, 2008, McGraw Hill.

You may use an earlier edition, however, any edition prior to the 7th edition of either text, will not include much of the material covered in this course. The relevant chapters are marked for each topic.

Code of Ethics

Assignments submitted for grading should be your own or your team's own work only. Most cases in this course involve actual companies. You may also use firm specific or market data that are publicly available for your analysis. You cannot, however, use old notes, handouts, or solutions to the cases from previous or other sections of this course or similar courses elsewhere for your written reports and class discussions.

Attendance and Class Etiquette

Students should attend the section of the class for which they are registered. In case of a conflict, students may attend my other section by permission. However, different sections may progress at a different pace so please check with the professor.

Seating Chart and Name Cards

Please display your name card in class at all times so that I get to know you. Please write your name in large, dark letters on the name cards.

WebCafé

The course site at Wharton WebCafé contains material essential for this class as well as most updated information and announcements for the course. WebCafé is the information center for the course. Please check the site regularly.

Cases and projects and presentations:

Each case report should include 2-4 pages of analysis (typed and double-spaced). For each case some questions and directions will be posted. You should write the case along these lines but not as a question and answer assignment.

The final project should be 5-7 pages (double spaced) long .You can add tables, figures, and notes attached as appendices. However, please include only relevant material and not all possible information about the company. It is due on the first day of the exam period.

Corporate events discussed in the presentations and paper may include IPOs, Mergers, capital structure changes, corporate governance (including executive pay and turnover) or bankruptcy. However, I am flexible and willing to consider any event that may help us in understanding corporate policy. Another option for a final project is a discussion of a company with reference to its capital structure, financing, merger activities and corporate governance policies.

Three to four class sessions are designated for project presentations, which will imply a time limit on presentations. Students are requested to provide the presentations ahead of time so that they can be uploaded for smooth and quick transitions. Copies should be emailed or handed to the professor. Also, students should provide a general topic (IPO, mergers, bankruptcy) by the second week of the semester so I can allocate the time and make sure that everybody can present. If you are not sure what you would like to do by the second week, I will make a choice for you.

A tentative syllabus is posted below. It will be made firmer after the first class in view of the number of students and presentations anticipated.

For your convenience, most of the external reading as well as the cases are included in the course packet. Please note that quite a few of the readings are short press articles. Some are academic articles (such as papers from the Journal of Finance, American Economic Review, Review of Financial Studies or Financial Management), however, the studies selected are such that you do not need to understand all the theory behind them in order to decipher the tables and findings which are the focus of the class discussion. A good idea is to read the abstract and introduction, and then go to tables and results in order to get a sense of the paper first.

Tentative Syllabus: Advanced Topics in Corporate Finance

		Book	Due
1/15	Organization, Review of basic concepts in Corporate Finance	BMA 1-14	RWJ 1-13
Week of 1/20	Review (con'td) Basics of capital structure.	RWJ 15,16 BM A15,18,19	
Week of 1/27	Capital Structure – the Suprestore example; Equity offerings- IPOs .	RWJ 19 BMA 16	

Reading:

The capital Structure Puzzle: Another Look at the Evidence, M. Barclay and C. Smith, Journal of Applied Corporate Finance, Spring 1999, pp 8-20.

Additional reading, not included in the packet: J. Graham, C. Harvey, “The theory and practice of corporate finance: evidence from the field” Journal of Financial Economics, 60 2001 pp.187-243.

Week of 2/3	Equity offerings, continued.	Hambrecht case is due- 2/5
Week of 2/10	Debt offerings- debt maturity rating and covenants	RWJ 20 Debt write-up is due 2/12. BM A24,25
Week of 2/17	Debt offerings- seniority, junk bonds.	RWJ 24
	Bankruptcy and reorganization – the U.S. experience.	RWJ 30 BMA 33

Reading:

M. Pacelle and S. Young “ Bondholders Press Telecom Firms to Halt Spending Sprees” WSJ, July 2, 2001

S. A. Ravid, S. Sundgren: “ The Comparative Efficiency of Small-Firm Bankruptcies: A Study of the US and Finnish Bankruptcy Codes” Financial Management, Vol. 27, No. 4, Winter 1998

Haugen, R. and L. Senbet “The Insignificance of Bankruptcy Costs to the Theory of Optimal Capital Structure The Journal of Finance, Vol. 33, No. 2 (May, 1978), pp. 383-393

A. R Sorkin “What should Congress Do with GM?” “ New York Times, 11/18/08, p. B1.

D. Stires “Marvel Flexes its Muscles” Fortune, June 27, 2005

Week of 2/24 Bankruptcy continued –international comparisons- class presentations on 2/26.

Week of 3/3 Bankruptcy- Options and corporate finance Marvel case due on 3/3

BMA 21,22,23
RWJ 22-25

Week of 3/10 Spring Break

Week of 3/17 Options and corporate finance, Convertibles.

Reading:

Jen Choi and Lee “Some New Evidence of Why Companies Use Convertible Bonds” Journal of Applied Corporate Finance, Spring 1997, 44-53

Week of 3/24 Options- conclusion, Arundel case is due 3/26
BMA 21,22,23.
RWJ 22-25

Week of 3/31 Corporate Governance and executive compensation
BMA 13, 34

Reading:

S. A. Ravid “When Executive Pay Depends on Revenue” NY Times, July 28, 2002.

G. Morgenson "An Idea Gone Haywire: Linking Executive Pay to Sales" , NY Times, Market Watch, July 14, 2002.

Executive Pay: The Bottom Line for Those at the Top” NY Times, April 5, 2008

R. Laporta, Florencio López-de-Silanes, Andrew Shleifer, and Robert Vishny). 1998. “Law and Finance” The journal of political economy, vol:106 iss:6 pg:1113

Jensen, M. "The Agency Costs of Free Cash Flow: Corporate Finance and Takeovers" American Economic Review May 1986, pp. 323-339.

Week of 4/7 Corporate Governance, Class presentations,
No class 4/9 Passover

Week of 4/14 Governance and mergers Time Warner case is due 4/16

BMA 32
RWJ 29

Reading:

J. Macintosh and F. Guerrera “ Value of Failed M&A Deals Close to Eclipsing Completed Takeovers”
Financial Times, 12/ 2/08

D. K. Berman “ Merger Horror II: the Rhetoric” WSJ May 24 2005 p. C1

G. Fabrikant and D. D. Kirkpatrick: “AOL’s Need: A New Vision” New York Times, Sunday, February 2, 2003.

R. Siklos “ Time Warner Offers \$3 Billion to End AOL Hangover” New York Times, front business page, August 4, 2005.

I. McDonald “ Merger Party Newest Invitees : the Insurers” WSJ, June 6, 2007

E. Byron: “Merger Challenge: Unite Toothbrush, Toothpaste” WSJ, April 24, 2007

B. Stone and C. C. Miller: “ Jerry Yang, Yahoo Chief, Steps down” New York Times, 11/18/08 p. B1

G. Andrade, M. Mitchell and E. Stafford “New Evidence and Perspectives on Mergers”, Journal of Economic Perspectives, Volume 15, #2 Spring 2001 P. 103-120.

SB. Moeller, F. P. Schlingemann, and R. Stulz “Wealth Destruction on a Massive Scale? A Study of Acquiring-Firm Returns in the Recent Merger Wave” Journal of Finance, Volume 60 Issue 2, Pages 757 – 782.

Week of 4/21 Mergers and Alliances - class presentations 4/21

Reading:

Darius Palia, S. Abraham Ravid, and Natalia Reisel “Choosing to Cofinance: Analysis of Project-Specific Alliances in the Movie Industry” Review of Financial Studies, April 2008; 21: 483 - 511.

4/28 Class presentations, review Four deals case is due. It may not
be discussed in class.

Contents of the packet:

A. R Sorkin “What should Congress Do with GM? “ New York Times, 11/18/08, p. B1.

B. Stone and C. C. Miller: “ Jerry Yang, Yahoo Chief, Steps down” New York Times, 11/18/08 p. B1

S. A. Ravid “When Executive Pay Depends on Revenue” NY Times, July 28, 2002.

G. Morgenson "An Idea Gone Haywire: Linking Executive Pay to Sales" , NY Times, Market Watch, July 14, 2002.

S.A. Ravid “Law and Order and Media Mergers”
Wall Street Journal, July 19, 2008 Saturday, Section A

J. Macintosh and F. Guerrera “ Value of Failed M&A Deals Close to Eclipsing Completed Takeovers” Financial Times, 12/ 2/08

D. Stires “Marvel Flexes its Muscles” Fortune, June 27, 2005

M. Pacelle and S. Young “ Bondholders Press Telecom Firms to Halt Spending Sprees” WSJ, July 2, 2001

D. K. Berman “ Merger Horror II: the Rhetoric” WSJ May 24 2005 p. C1

G. Fabrikant and D. D. Kirkpatrick: “AOL’s Need: A New Vision” New York Times, Sunday, February 2, 2003.

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E. Byron: “Merger Challenge: Unite Toothbrush, Toothpaste” WSJ, April 24, 2007

Executive Pay: The Bottom Line for Those at the Top” NY Times, April 5, 2008

The packet also includes: Equity offerings debt offerings as well as the superstore corporation slides.

Harvard Cases:

Bankruptcy and Restructuring at Marvel Entertainment Group 9-298-059

W.R. Hambrecht+Co Open IPO 9-200-019

Four Deals 9-905-058

Time Inc. Entry into the Entertainment Industry (A) 9-293-117

Arundel Partners: The Sequel Project, case # 292140

One more case is included which is relevant but need not be submitted.

Marvel Enterprises Inc. 9-505-001

Academic Articles:

"New Evidence and Perspectives on Mergers" G. Andrade, M. Mitchell and E. Stafford, Journal of Economic Perspectives, Volume 15, #2 Spring 2001 P. 103-120.

SB. Moeller, F. P. Schlingemann, and R. Stulz "Wealth Destruction on a Massive Scale? A Study of Acquiring-Firm Returns in the Recent Merger Wave" Journal of Finance, Volume 60 Issue 2, Pages 757 – 782.

The capital Structure Puzzle: Another Look at the Evidence, M. Barclay and C. Smith, Journal of Applied Corporate Finance, Spring 1999, pp 8-20.

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R. LaPorta, Florencio López-de-Silanes, Andrew Shleifer, and Robert Vishny). 1998. "Law and Finance" The journal of political economy, vol:106 iss:6 pg:1113

S. A. Ravid, S. Sundgren: " The Comparative Efficiency of Small-Firm Bankruptcies: A Study of the US and Finnish Bankruptcy Codes" Financial Management, Vol. 27, No. 4, Winter 1998

Wruck, K. "Private Equity, Corporate Governance, and the Reinvention of the Market for Corporate Control" Journal of Applied Corporate Finance, Summer 2008 p.1

Darius Palia, S. Abraham Ravid, and Natalia Reisel "Choosing to Cofinance: Analysis of Project-Specific Alliances in the Movie Industry" Review of Financial Studies, April 2008; 21: 483 - 511.

Haugen, R. and L. Senbet "The Insignificance of Bankruptcy Costs to the Theory of Optimal Capital Structure" The Journal of Finance, Vol. 33, No. 2 (May, 1978), pp. 383-393

Jensen, M. "The Agency Costs of Free Cash Flow: Corporate Finance and Takeovers" American Economic Review May 1986, pp. 323-339.

