

Fin 7808 Seminar in Advanced Micro Finance
Spring 2005
Dr. Alexander W. Butler

Contact Information:

Class Time: 2:00-5:00pm Mondays in BSN 1309

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Office Hours: Drop by any time (and by appointment)

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Course Objectives:

The primary objective of this course is to prepare students for a career as a scholar in finance. To do so, we will read and discuss key scholarly papers in the field. Our focus will be on recent empirical research papers in the fields of corporate finance, investments, and institutions. A recurring theme of the course is how firms raise external capital. A detailed outline appears below. In addition to spending substantial time studying finance concepts and articles, we will also devote a lot of time and energy to discussing research philosophy and strategy and professional development. The level of rigor for the course will be consistent with an advanced doctoral level course. In short, students will be held to the highest standards.

Course Materials:

Approximately 50 journal articles and working papers made available electronically on CD-ROM. Please note that the assigned readings reflect a “bare minimum.” If you find your knowledge of an area lacking, you are responsible for doing additional reading and background work to get up to speed.

Recommended Additional Resources:

- Grinblatt & Titman – *Financial Markets and Corporate Strategy*
- Copeland, Weston & Shastri – *Financial Theory and Corporate Policy*
- Hull – *Options, Futures, and Other Derivatives*; excellent derivatives reference text.
- Brealy & Myers – *Principles of Corporate Finance*; approachable, but less rigorous and less comprehensive.
- *Wall Street Journal* – the best source for research ideas
- *Social Sciences Research Network* subscription – the best way to keep up with the field.
- Smith – *The Modern Theory of Corporate Finance*; seminal articles on corporate finance.

Presentations:

Each week, there will be three to five papers presented by the members of the class, including the instructor. As this is a doctoral seminar course, we all depend heavily on the quality of each other’s work. I take a very dim view of any student coming to class under-prepared. If I feel you are unprepared for class, you may be given a warning. After that, you should expect your grade to suffer substantially from any further lack of preparation.

Grading:

Term Paper and Presentations – 50%

(paper topics must be approved by the instructor; topics may not be also used for credit in other coursework)

Literature Summaries – 15%

(two: one summarizes ten papers on a topic of the student's choosing; one summarizes five published papers plus one current working paper all by one author of the student's choosing)

Weekly Presentations – 35%

While I hope that everyone in the class earns an A-plus, inferior performances will be met with commensurately inferior letter grades.

Course Philosophy:

In the world of finance scholarship, you are evaluated based on how much of a contribution to the profession's knowledge you make. The same is true in this course. We will spend a lot of time discussing informally how to do research and how to publish (the two skills are only weakly correlated). For instance, on the "Research Brainstorming" day, we will take one of the proposed paper topics from the beginning of the term that was not selected and collectively discuss how to turn it into a well-defined research proposal, including an outline of an introduction. If it seems promising, perhaps we will undertake the idea as a collaborative (post-class) project.

You should view your doctoral studies as an *investment* in your impending 40+ year career. Thus, there will be no "shortcuts" in this class. You are explicitly forbidden from using for credit in this course any work that has been or will be submitted for credit in another course (the exception is that you may use your work in this class as the basis of your summer paper or dissertation if you wish, though I recommend you not "re-use" your term paper, but rather keep it as a separate working paper). The point is to get you to build a diverse portfolio of research projects and skills, rather than to rest on work that you have already completed. The payoff will be that your broader skill set will allow you economies of scale and scope once you are on the tenure clock.

Academic Ethics:¹

Cheating and plagiarism will not be tolerated and will be prosecuted to the maximum. You are encouraged to discuss and debate ideas with your colleagues, but your written work must be your own ideas and words. Be careful not to plagiarize the work of others. If you question if something is ethical or not, it probably is unethical. Don't get in trouble – when in doubt, ask.

¹ This section is adapted from one of Harley Ryan's syllabi.

Tentative Schedule and Course Readings

Date	Topic	Papers / Readings	Event
1/10/05	Introduction Professional development Topic: Event Studies	1. Fisman (2001 AER) 2. Mikkelson and Partch (1986 JFE) 3. Arnold et al. (2003 JB) 4. Butler and Crack (2004 WP) 5. Busse and Green (2002 JFE)	
1/17/05	No class (MLK Day)	Read the <u>abstract</u> of every paper on the syllabus for a course overview; nothing to turn in.	No class (MLK Day)
1/24/05	Long Run Performance	1. Ritter (1991 JF) 2. Eckbo, Masulis, Norli (2000 JFE) 3. Mitchell and Stafford (2000 JB) 4. Brav and Gompers (1997 JF)	
1/31/05	Pseudo Market Timing Endogeneity	1. Schultz (2003 JF) 2. Viswanthan and Wei (2004 WP); <i>with #3</i> 3. Schultz (2004 WP); <i>with #2</i> 4. Cliff and Denis (2004 JF) 5. Molina (2005 JF forth)	DUE: List of five+ possible paper topics
2/7/05	Behavioral Corp. Finance	1. Baker and Wurgler (2000 JF) 2. Baker and Wurgler (2002 JF) 3. Kahan and Titman (2004 WP) 4. Butler, Grullon, Weston (2004 JF)	
2/14/05	Raising Capital: Banks	1. James (1987 JFE) 2. Rajan (1992 JF) 3. Berger, et al. (2005 JFE) 4. Degryse and Ongena (2005 JF forth)	
2/21/05	Raising Capital: Venture Capital	1. Gompers and Lerner (1999 JFE) 2. Gompers (1996 JFE) 3. Lindsey (2002 WP)	DUE: Paper topic (<u>outline</u> of introduction: what's the question, why is it interesting, etc.)
2/28/05	Raising Capital: IPOs	1. Benveniste and Spindt (1989 JFE) 2. Carter and Manaster (1990 JF); <i>with #3</i> 3. Carter, Dark, and Singh (1998 JF); <i>with #2</i> 4. Hanley (1993 JFE)	
3/7/05	Raising Capital: IPOs	1. Loughran & Ritter (2002 RFS) 2. Corwin and Schultz (2004 JF) 3. Lowry and Schwert (2004 JFE)	
3/14/05	Spring Break	Spring Break	Spring Break
3/21/05	Raising Capital: SEOs, Carveouts	1. Altinkilic and Hansen (2003 JFE) 2. Lamont and Thaler (2003 JPE) 3. Boone, Haushalter, Mikkelson (2003 FM)	DUE: Preliminary results - at least one neat complete table of main results and a one-page abstract
3/28/05	Raising Capital: Debt and Convertibles	1. Cantor and Packer (1997 JBF) 2. Asquith (1995 JF) 3. Datta Iskandar-Datta Raman (2003 JFI)	
4/4/05	Law and Finance	1. LLSV (1997 JF) 2. LLS (2004 WP) 3. Beck, et al. (2004 JCompE)	DUE: Preliminary presentation (10-12 mins)
4/11/05	Financial Intermediary Compensation	1. Chen and Ritter (2000 JF) 2. Hansen (2001 JFE) 3. Torstila (2003 JFQA) 4. Torstila (2001 FM)	DUE: Lit reviews
4/18/05	Research Brainstorming	To be determined	
4/25/05	Paper presentations	Paper presentations: 1. Chen (2005) 2. Park (2005) 3. Wan (2005)	DUE: Full paper presentation (45 mins)
5/2/05	No class (Finals Week)	No class (Finals Week)	DUE: Final draft of paper