Syllabus 2020_21

Principles of Corporate Finance (7 cfu)

Department of Economics, Statistics and Management (DEMS) – Bicocca University
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Lecture hours: due to pandemic all activities take place online (please check on the elearning for changes)

Tuesday	12.30-15.30	Live streaming
Wednesday	9.30-12.30	Live streaming
Thursday	**9.30-12.30**	Live streaming

Course objective. The course will explore the variety of financial contracts to fund corporations. Each financial contract can be defined in terms of remuneration and control rights. Banks are typically more active than bond-holders by collecting information and tend to be tougher in case of firm distress. Venture capitalists retain more control rights than bond-holders and are more similar to equity-holders. Corporate governance is intimately related to the choice of the financial structure of corporations. All topics will be analyzed both from the theoretical point of view and referring to the empirical evidence, whenever possible, around the world.

Exam. At the end of the course there will be a written examination. Students attending the lectures will be given the possibility to substitute one question of the written exam with a homework. Further details will be given in class.

Pre-requisites. Microeconomics; ability to read econometric outcomes.

1. The financial structure of the firm

-Modigliani-Miller theorem: is the financial structure neutral?
-Debt as incentive mechanism.
-Debt and excessive risk.
-Debt overhang.

Empirical evidence on the determinants of the financial structure around the world.

- Rajan R., Zingales L.. What do we know about Capital Structure? Some evidence from International Data, Journal of Finance, Vol.50 (5), 1995.
- Myers S. "Financing of corporations" Chap.4, in Handbook of the Economics of Finance, (Edited by Constantinides, Harris and Stulz), Elsevier North Holland, Vol.1A (Corporate Finance), 2003

2. The role of banks vs. bond-holders

- Why do banks and bond-holders cohexist?
(*) Holmstrom B., Tirole J., 1997. Financial intermediation, loanable funds and the real sector, Quarterly Journal of Economics, Vol.112 (3).
-Banks vs. arms' length creditors
(*) Rajan R., 1992. Insiders and Outsiders: The choice between informed and arm's lenght debt, Journal of Finance, 47 (4).

Empirical evidence on the value of bank-debt.

- James C. 1987. Some Evidence on the Uniqueness of Bank Loans. Journal of Financial Economics, Vol.19.

3. Initial Public Offering

- Going public: The theory

(*) Zingales L. "Insider ownership and the decision to go public", Review of Economic Studies, 1995.

Empirical evidence on going public.

- Pagano M., Panetta F. , Zingales L. "Why do firms go public?", Vol.53(1), Journal of Finance, 1998.

4. Venture capital

- Role of venture capitalists as advisors.

Empirical evidence on financial venture contracts.

- Gompers P. "Venture Capital" in HCF, Chap.9, Vol.1, 481-509

5. Conglomerates

- Effect of conglomeration

Empirical evidence on the discount of conglomeration.

- Maksimovic, Phillips "Conglomerate firms and internal capital markets" in HCF, Chap. 8, Vol.1, 423-479.
- Campa J.M., Kedia S., Explaining the diversification discount, Journal of Finance, Vol. 57 (4), 2002

6. Finance and law

- The importance of the legal system for corporate finance.

Empirical evidence on corporate governance around the world.

- La Porta R., Lopez-de-Silanes F., Shleifer A., Vishny R., "Law and Finance", Journal of Political Economy, 106(6), 1113-1155, 1998.
- Esty B. "When Do Foreign Banks Finance Domestic Projects? New Evidence on the Importance of Legal and Financial Systems", 2004. http://dx.doi.org/10.2139/ssrn.594526

Textbooks:

Brealey-Myers-Allen, *Principles of Corporate Finance,* 11 ed., McGraw-Hill.
Tirole J., THE THEORY OF CORPORATE FINANCE*,* Princeton Press, 2006.
HCF: Handbook of Corporate Finance, Edited by Espen Eckbo, Vol.1, Elsevier, 2007.

Other material, slides and videos will be provided on the site
https://elearning.unimib.it/course/view.php?id=31129