Note: Readings in bold are required and will be discussed in class. Others are merely suggested. Copies of all required readings will be distributed one to two weeks ahead of the class. Readings for the first class will be available from Peggy Moreland in Morgan 490 (Harvard Business School) one week before the first class.

Three referee reports will be due over the course of the semester. These are indicated in bold italics. The other elements of the grade for the course will be a final paper (which may based on thesis work in progress) and class attendance/participation.

Class 1: February 3rd (Josh) (also includes class introduction)

I. Methodology


A. Event Studies


Class 2: February 10th (Paul)

**B. Long Horizon Stock Return Studies**

1. Methodology


**Lyon, John D., Brad M. Barber, and Chih-Ling Tsai, 1998, Improved methods for tests for long run abnormal stock returns, Journal of Finance** 54, 165-201


2. Applications of Long-Horizon Returns Methodology


Class 3: February 17th (Paul/Josh)

C. Accounting Data


Teoh, Siew Hong, and T.J. Wong, 2000, Analyst credulity about reported earnings and over optimism in new equity issues, Unpublished working paper, Ohio State University.

D. Pricing Models and Valuation


Class 4: February 24th (Josh/Paul)

**E. Clinical Research**


F. Endogeneity Issues in Corporate Finance


Class 5: March 3rd (Paul/Josh)

II. Corporate Finance


A. Capital Structure


**B. The Implications of Corporate Finance**

1. **Product Market-Capital Market Interactions**


Class 6: March 10th (Josh/Paul)

2. **Earnings Management**


C. Capital Budgeting

1. The Investment Decision


Class 7: March 17th (Paul/Josh)

2. Diversification


3. Real Options in Corporate Finance


Class 8: March 24th (Josh)

D. Corporate Finance Under Stress

1. Risk Management


2. **Restructuring**


**Kahl, Matthias, 2001, Financial distress as a selection mechanism: Performance and survival from the onset to the resolution of financial distress, Unpublished working paper, University of California at Los Angeles.**

**Stromberg, Per, 2000, Conflicts of interest and market illiquidity in bankruptcy auctions: Theory and evidence, *Journal of Finance*, 55, 2641-2692.**


**Note: Week off for spring break**
Class 9: April 7th (Josh)

E. Governance

1. Proxy Fights, Takeovers and All That Jazz


Note: The second half of the class will be devoted to paper proposal presentations.

Class 10: April 14th (Paul)

2. Boards of Directors


3. Compensation and Insider Holdings


Class 11: April 21th (Paul)

**4. Institutional Investors, Blockholders, and Corporate Governance**


F. Behavioral Corporate Finance

Jenter, Dirk, 2002, Market timing and managerial portfolio decisions, Unpublished working paper, MIT.


Malmendier, Ulrike and Geoffrey Tate, 2003, CEO overconfidence and corporate investments, Unpublished working paper, Stanford University.

Class 12: April 28th (Josh/Paul)

III. Financial Institutions and Corporate Finance

1. Financial Institutions and Innovations


2. Commercial Banks


Week 13: May 5th (Josh/Paul)

3. **Informal Finance and Venture Capital**


4. **Investment Banks**


