



APPLIES TO ACADEMIC YEAR 2009/2010

GRA 6541 Advanced Corporate Finance

Programme

Advanced Specialization Course (MSc), Master of Science in Business and Economics, Master of Science in Business and Economics (Finance), Master of Science in Financial Economics

Responsible for the course

Department

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Introduction

Problems arising from asymmetric information among participants in financial markets are central to the theory and practice of corporate finance. This advanced level course teaches students the economic modeling of asymmetric information problems related to firms' corporate financing and governance choices and discusses several real-life consequences of the incentive problems arising from asymmetric information.

Learning outcome

The objective of this course is to familiarize students with information problems related to firms' corporate financing and governance decisions. In particular, the course teaches students for the design of financial contracts that mitigate the problem of moral hazard and thereby improve the terms at which firms receive financing. The use of collateral, the allocation of control rights, and the provision of monitoring incentives will be shown to be important in this respect. The course builds on the theory of incentives and uses the tools of contract and game theory to analyze information problems and their consequences for firms' financing choices.

Prerequisites

Corporate finance (GRA6025 Financial Management or equivalent)

Microeconomic theory (GRA6031 Microeconomics or equivalent)

Compulsory reading

Books:

Tirole, Jean. 2006. The theory of corporate finance. Princeton, N.J. : Princeton University Press

Other:

During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.

Recommended reading

Books:

Hart, Oliver. 1995. Firms, contracts, and financial structure. Oxford : Clarendon

Laffont, Jean-Jacques and David Martimort. 2002. The theory of incentives : the principal-agent model. Princeton, N.J. : Princeton University Press

Course outline

1. Introduction to Corporate Financing and Corporate Governance
2. Game Theory: Basic Concepts
3. Moral Hazard and Credit Rationing
4. Determinants of Borrowing Capacity: Diversification and Group Lending
5. Market Monitoring: Entry, Exit, and Speculation
6. Investor Activism: Boards of Directors and Large Creditors

7. Control Rights and Corporate Governance

Computer-based tools

Blackboard/homepage, Electronic Journal Databases

Learning process and workload

36 hours of lecture and class discussion.

Please note that while attendance is not compulsory in all courses, it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/Blackboard or text book.

Examination

Your course grade will be based on the following activities and weights:

20% Class work (in the form of a mix of some/ all of the following: hand in of case write ups, projects, and homeworks and class participation).

Final written 3 hour exam accounts for 80% of the grade.

Both parts of the evaluation need to be passed in order to get a grade in the course.

Specific information regarding student evaluation beyond the information given in the course description will be provided in class. This information may be relevant for requirements for tempapers or other hand-ins, and/or where class participation can be one for several elements of the overall evaluation.

Exam code(s)

GRA 65411 counts for 100% of the grade

Examination support materials

A bilingual dictionary and BI-approved exam calculator.

Exam aids at written examinations are explained under exam information in our web-based Student handbook. Please note use of calculator and dictionary.

<http://www.bi.edu/studenthandbook/examaids>

Re-sit examination

Re-takes are only possible at the next time a course will be held. When the course evaluation has a separate exam code for each part of the evaluation it is possible to retake parts of the evaluation. Otherwise, the whole course must be re-evaluated when a student wants to retake an exam. Retake examinations entail an extra examination fee

Additional information

Honor Code

Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honor code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honor code system, to which the faculty are also deeply committed.

Any violation of the honor code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academic integrity. If you have any questions about your responsibilities under the honor code, please ask.