



APPLIES TO ACADEMIC YEAR 2014/2015

DRE 7009 Corporate Finance Theory

Programme

Finance

Responsible for the course

Salvatore Miglietta, Charlotte Østergaard

Department

Department of Financial Economics

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Introduction

This course is a rigorous introduction to modern theories of corporate finance. The first half of the course establishes foundational concepts, beginning with the neoclassical and tradeoff models, and then moving to agency problems and possibly asymmetric information. The second half of the course focuses on a select group of topics, including executive compensation, corporate governance, security design, financial contracting and the theory of the firm, with a particular focus on the organizational aspects of the subjects. Empirical research in corporate finance is covered in greater depth in Empirical Corporate Finance and in DRE 7016 Topics in Corporate Finance.

Learning outcome

The goal of the course is to familiarize students with central theories underpinning research in corporate finance.

Prerequisites

Admission to a PhD Programme is a general requirement for participation in PhD courses at BI Norwegian Business School.

The course builds on concepts developed in DRE 4010 and familiarity in basic finance theory.

External candidates are kindly asked to attach confirmation of admission to a PhD programme when signing up for a course with the doctoral administration. Other candidates may be allowed to sit in on courses by approval of the courseleader. Sitting in on courses does not permit registration for courses, handing in exams or gaining credits for the course. Course certificates or conformation letters will not be issued for sitting in on courses

Compulsory reading

Books:

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

Collection of articles:

A collection of articles

Other:

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

Recommended reading

Course outline

PART I. Capital Structure: Debt versus Equity

1. Neoclassical Model and Tradeoff Model

2. Agency Problems & Asymmetric Information

PART II. Principal Agent theory

3. General P-A problem

4. Compensation/incentive contracts

PART III. TOPICS

5. Security design: financial contracting and optimality of debt contracts
6. Theory of the firm: incomplete contract approach
7. Allocation of authority/control
8. Stock ownership and managerial monitoring
9. Board independence

Course Structure

Weekly class meetings are organized around lectures that develop and discuss models and their empirical implications. Students are required to participate in the class through presentations of some of the assigned papers and discussions of the topics of the lectures. Homework will be assigned weekly or bi-weekly.

Computer-based tools

Learning process and workload

Workload (6ECTS):

Lectures:	30 hours	
Specified Learning Activities (including reading)		75 hours
Autonomous Student learning (including exam preparation)	75 hours	
Total:	180 hours	

Examination

Grades will be assigned on the basis of the following:

Assignments	20%	
Class participation and presentations		20%
Final exam (3 hours)	60%	
Course will be graded A-F.		

Examination code(s)

DRE 70091 for 100 % of the grade in the course

Examination support materials

No support materials permitted for the written exam

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.

Additional information

Honour Code

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

Any violation of the honour 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 honour code, please ask.