

**Федеральное государственное автономное образовательное  
учреждение высшего профессионального образования  
"Национальный исследовательский университет  
"Высшая школа экономики"**

Факультет экономических наук  
Департамент финансов

**Рабочая программа дисциплины**  
**«Корпоративные финансы – продвинутый уровень»**  
**(Corporate Finance (Advanced Level – Corporate Finance-2))**  
для образовательных программ:  
38.04.08.68 «Финансы и кредит» подготовки магистра  
«Стратегическое управление финансами фирмы»

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Одобрена на заседании департамента финансов

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Утверждена «\_\_»\_\_\_\_\_ 2015 г.

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Москва, 2015

*Настоящая программа не может быть использована другими подразделениями университета и  
другими вузами без разрешения подразделения-разработчика программы.*



**Annotation:**

Corporate finance is designed as advanced course for the master degree programs with the major in corporate finance. It is considered to become a part of the exchange semester programs which are now under development at the economic faculty. The course is focused on methodology of analysis of corporate financial decisions and their empirical testing. Corporate finance advanced provides an important input to the development of research skills in finance. It is based on the following courses:

- 1/ Corporate finance for bachelor level education
- 2/ Micro and Macro Economics advanced
- 3/ Econometrics advanced

**The major goals:**

The course is absolutely necessary for developing the analytical skills in the area of corporate financial decisions and understanding their relevance to the empirical evidence in developed and emerging markets. It covers the extensions for the key concepts in corporate finance explaining hurdle rates and cost of equity analysis in the integrated and segmented capital markets, the financing and payout decisions and the empirical research in the field of developed and emerging markets data, and the corporate control and governance issues with the emphasis on financial architecture of the modern firm. The course is thought to become a core theoretical background to the related financial courses for advanced studies.

After studying the students will learn:

- how the key concepts for corporate financial decisions emerged and has been further developed;
- how the empirical studies are build upon the theoretical arguments in the field; - how to apply theoretical conceptions to the actual trends in corporate sector
- how to understand the results and controversial empirical evidence.

Компетенция	Код по ФГОС/ НИУ	Дескрипторы – основные признаки освоения (показатели достижения результата)	Формы и методы обучения, способствующие формированию и развитию компетенции
Способен готовить финансовую информацию и составлять отчетность	ПК-10	Имеет навык подготовки финансовой информации и составления отчетности для компаний и финансовых	Самостоятельная подготовка кейса, обсуждение вопросов с преподавателем



для компаний и финансовых институтов		институтов	
Способен анализировать финансовое состояние компаний и финансовых институтов	ПК-11	Демонстрирует умение анализировать финансовое состояние компаний и финансовых институтов	Самостоятельная подготовка проекта по учебной дисциплине
Способен конструировать новые финансовые инструменты	ПК-16	Владеет навыком конструирования новых финансовых инструментов	Решение задач, самостоятельная подготовка проекта по дисциплине
Способен анализировать и оценивать стоимость интеллектуального капитала компании и финансового института	ПК-17	Демонстрирует умение анализировать и оценивать стоимость интеллектуального капитала компании и финансового института	Изложение результатов самостоятельной работы на семинарских занятиях в форме защиты проектов, постановки вопросов и их обсуждении в аудитории
Способен обосновать политику выплат инвесторам компании и финансового института	ПК-18	Демонстрирует умение обосновать политику выплат инвесторам компании и финансового института	Изложение результатов самостоятельной работы на семинарских занятиях в форме защиты проектов, постановки вопросов и их обсуждении в аудитории.
Способен разработать рекомендации эмитентам и другим участникам финансового рынка по вопросам движения капитала в целях концентрации финансовых ресурсов и по формированию инвестиционных портфелей	ПК-21	Имеет навык разработки рекомендаций эмитентам и другим участникам финансового рынка по вопросам движения	Самостоятельное освоение научной литературы. Изложение результатов самостоятельной работы на семинарских занятиях в форме сообщения
Способен разработать политику налоговой оптимизации компании и финансового института	ПК-22	Владеет навыком оценки политики налоговой оптимизации компании и финансового института	Самостоятельная подготовка проекта по учебной дисциплине
Способен обосновывать эффективность стратегических	ПК-25	Демонстрирует умение обосновывать эффективность стратегических управленческих решений	Изложение результатов самостоятельной работы на семинарских занятиях в форме защиты проектов,



управленческих решений (реструктуризация компании, преобразование компании в холдинг, заключение сделок приобретения компаний, решения о привлечении средств и т.д.)			постановки вопросов и их обсуждении в аудитории.
Способен контролировать выполнение стратегических управленческих решений и финансовых планов	ПК-26	Демонстрирует умение контролировать выполнение стратегических управленческих решений и финансовых планов	Самостоятельная подготовка практического задания (кейса) по учебной дисциплине
Способен планировать доходы от размещения свободных средств и приобретения высоколиквидных государственных ценных бумаг	ПК-29	Демонстрирует умение планировать доходы от размещения свободных средств и приобретения высоколиквидных государственных ценных бумаг	Выполнение практических заданий и контрольной работы
Способен руководить процессом составления отчетности (финансовой и управленческой)	ПК-30	Демонстрирует умение руководить процессом составления отчетности (финансовой и управленческой)	Самостоятельная подготовка проекта по финансовой и управленческой отчетности
Способен разрабатывать варианты управленческих решений и обосновывать их выбор на основе критериев социально-экономической эффективности	ПК-32	Владеет навыком разработки управленческих решений и обоснования их выбор на основе критериев социально-экономической эффективности	Самостоятельная подготовка проекта по учебной дисциплине
Способен доводить управленческие решения до исполнителей (финансово-экономических	ПК-33	Владеет навыком доведения управленческих решений до исполнителей (финансово-экономических подразделений компании)	Самостоятельная подготовка проекта по учебной дисциплине



подразделений компании)			
Способен разрабатывать учебные планы, программы и соответствующее методическое обеспечение для преподавания финансовых дисциплин в высших учебных заведениях	ПК-36	Демонстрирует умение разрабатывать учебные планы, программы и соответствующее методическое обеспечение для преподавания финансовых дисциплин в высших учебных заведениях	Самостоятельная подготовка проекта по учебной дисциплине
Способен строить профессиональную деятельность, бизнес и делать выбор, руководствуясь принципами социальной ответственности	ПК-38	Демонстрирует умение строить профессиональную деятельность, бизнес и делать выбор, руководствуясь принципами социальной ответственности	Подготовка и презентация проекта по финансовой дисциплине
Способен создавать, описывать и ответственно контролировать выполнение технологических требований и нормативов в профессиональной деятельности	ПК-40	Демонстрирует умение описывать и ответственно контролировать выполнение технологических требований и нормативов в профессиональной деятельности	Самостоятельная подготовка проекта по учебной дисциплине, чтение и анализ нормативных актов



The learning format comprises the lectures, seminars discussions of the academic overviews done on the basis of a selected theoretical articles and case studies. The self-study will be focused on the preparation for topical papers, team working for presentations of theoretical problems and article's analysis, case's solutions. The format on the hourly basis is given as follows:

The topics	Total hours	Classes		Self-study
		including		
		Lectures	seminars	
<u>Part 1. Corporate Finance in Developed and Emerging Markets: Principles, Models and Empirical Research</u> Topic 1 .The Corporate Hurdle Rates Analysis: an Overview	23	4	4	15
Topic 2. The Developments in the Capital Structure Theories: Related Research Methods and Results	31	8	8	15
Topic 3. Capital Structure Decision - Making: Applications in Developed and Emerging Markets.	23	4	4	15
Topic 4. Payout Policies: Theory Development and Empirical Research	26	8	8	10
Topic 5. Applications of derivative pricing models. Real options.	31	8	8	15
<u>Part 2. Corporate Financial Architecture and Corporate Performance</u> Topic 6. Corporate Financial Architecture	23	4	4	15
Topic 7. Corporate Financial Architecture: Internal Capital Market	33	9	9	15
<b>TOTAL</b>	<b>190</b>	<b>45</b>	<b>45</b>	<b>100</b>



## **The Content.**

### **Part 1. Corporate Finance in Developed and Emerging Markets: Principles, Models and Empirical Research**

#### **Topic 1. The Corporate Hurdle Rates Analysis: an Overview**

The globalization of capital markets and its implications to asset pricing. The assumption of internationally integrated capital market and the types of global asset pricing models: World (Global) CAPM, The determinants of equity market premium at the internationally integrated capital market: identical consumption-opportunity sets across countries and world beta (Fama,1976). The Global (World) capital asset pricing model (GCAPM): its assumptions, features and variables. The comparison of Global (World) capital asset pricing model to Domestic (Local) capital asset pricing model (Stulz, 1995). Multi-beta Global capital asset pricing model and cross- section of global stock returns: the World two-factor asset pricing model (Fama/French,1998); multi-beta asset pricing model for emerging markets (Harvey, 1995).The limitations of world asset pricing models.

The underweighting of foreign stocks in portfolio and the home bias. The explanations for the home bias: the barriers to international investing, the ownership restrictions, the consumption patterns, the human capital. The assumption of internationally segmented capital markets and segmentation. The explicit constraints and barriers to globally diversify the portfolio. The degree of integration of an emerging market into the global capital market and the barriers for diversification in emerging markets. The systematic and unsystematic risks in emerging markets. The methods for empirical testing of segmentation hypothesis versus integration hypothesis: Bekaert/Harvey, 1995; Bekaert/Harvey, 2000; Henry,2000; Chari/Henry,2001.

Sovereign risk and the reasons and methods of adjustments to the asset pricing models. The sovereign risk measurers. The systematic risks in emerging markets and the cost of equity analysis for an emerging market. The Adjusted asset pricing models for emerging markets: the risk free asset, the sovereign spread. the Hybrid capital asset pricing models (HCAPM). The methods of pricing the risk premiums for emerging markets: spread, relative volatility, Alternative measurers for systematic risks in emerging markets: the downside risk and the DCAPM by Estrada.





### Required Reading:

1. Ивашковская И.В., Солнцева М.С. Структура капитала российских компаний: тестирование концепции компромисса и порядка источников финансирования // Электронный журнал «Корпоративные финансы». 2007. Выпуск 2. С. 17-31.  
[www.cfjournal.ru](http://www.cfjournal.ru)

### Optional Reading:

1. Chari A., Henry P. *Stock Market Liberalization and Repricing of Systematic Risk*. NBER. 2001. Working Paper 8265. Cambridge, MA
2. Grinblatt M., Titman S. *Financial Markets and Corporate Policy*. McGraw-Hill. 1998, ch.5 (5.10- 5.12), ch.6
3. А. Дамодаран *Инвестиционная оценка*, Альпина Бизнес Букс, М. 2004, главы 4, 7, 8
4. Estrada, J. Systematic risk in emerging markets: the D-CAPM. *Emerging Markets Review*, vol. 3, 2002, pp. 365-379
5. Bekaert, G., C. Harvey. Foreign Speculators and Emerging Equity Markets. *Journal of Finance*, 2000, vol. 55, pp. 565-613
6. Bekaert, G., C. Harvey. The Dynamics of Emerging Markets Equity Flows. *Journal of International Money and Finance*, 2002, vol. 21, pp. 295-350
7. Henry P. Stock Market Liberalization, Economic Reform, and Emerging market prices. *Journal of Finance*, 2000, vol. 55, pp. 529-564
8. Stulz R.M. 1999, Globalization, Corporate Finance, and the Cost of Capital - *Journal of Applied Corporate Finance*, 12 (1)
9. Fama E.D., French K. Value versus Growth: the international Evidence. *Journal of Finance*, 1998, vol. 53, pp. 1975-19125
10. Fama E., French K. The Equity Premium. – *The Journal of Finance*, 2002, vol. 67, n.2, pp. 637-660
11. Salomon R., Grootveld H. The Equity Risk Premium: Emerging versus Developed Markets. – *Emerging Markets Review*, 2003, n.4, pp. 121-144
12. Aswath Damodaran *Country Risk and Company Exposure: Theory and Practice*, [Journal of Applied Finance](http://www.cfjournal.ru). Tampa: [Fall 2003](http://www.cfjournal.ru). Vol. 13, Iss. 2; pg. 63
13. Sang-Gyung Jun, Achla Marathe and Hany A. Shawky, Liquidity and stock returns in emerging equity markets - [Emerging Markets Review](http://www.emrjournal.com) Volume 4, Issue 1, March 2003, Pages 1-24
14. E. Scott Mayfield Estimating the market risk premium - *Journal of Financial Economics* 2004 Vol 73, Iss 3, Pages 465-496





## **Topic 2. The Developments in the Capital Structure Theories: Related Research Methods and Results**

Capital structure theories in classical corporate finance and their influence over corporate financial analysis. The principles and stages of Trade-off theory development. The main arguments in static trade-off theory. The research into the costs of financial distress. The quantitative assessment of the costs of financial distress: the methods and the results. The nature and the structure of the costs of financial distress: deadweight costs and changing costs, permanent costs and one-time costs. (Haugen/Senbet, 1978; Leary/Roberts, 2004). The research models for quantitative assessments of direct costs of financial distress by Antrade/Kaplan (1998), Weiss (1990), Maksimovich/Phillipps (1998), Gilson (1997), Almeida/Philippon (2006), Philisophov/ Philisophov (2002,2005). The major issues in analyzing the tax effects over the capital structure choices. The marginal tax benefits function and modeling corporate capital structure choices with corporate and personal tax rates (Graham, 2003). The quantitative assessments of tax benefits streams.

The dynamic trade-off theories. Dynamic trade-off model with no transaction costs: Brennan/Schwartz (1984). The mean reversion of financial leverage, the target debt ratio and the predictions about dynamics. The models with rebalancing and recapitalization: upper and lower limit policy of the firm (Fischer, et al, 1989). Target adjustment behavior of the corporations. The research into the factors affecting the adjustments costs. The models with exogenous investment policies (Strebulaev, 2004). The retained earnings factor, the interaction of investment and financing decisions, the endogenous financing policies in dynamic trade-off modeling: Titman/Tsyplakov, 2004; Hennessy/Whited, 2004.

The methods for empirical testing of trade-off theories: cross section regressions, target adjustments techniques. The evidence for capital structure and the major results of empirical studies in trade – off theories for developed economies: Rajan/Zingales (1995); Gul (1999); Hovakim/ Opler/, Titman (2001).

The developments in the pecking order of financing theory of capital structure choices. Pecking order of financing models based on adverse selection. The adverse selection model with current shareholders participation in new equity issues: the pecking order of equity flotation method (Eckbo / Norli, 2004). The adverse selection with asymmetric information about risk (Halos/Heider, 2004). The agency costs and their role in financing hierarchy. The agency costs of equity financing by Myers (2003). The joint hypothesis (Shulz, 1990; Harris-Raviv, 1990). The window of opportunity theory and its role in developing the pecking order of financing approach to the capital structure choice (Backer, Wurgler, 2002). The methods for empirical testing of pecking order



explanation of financing choices: event studies (Shyam-Sander, 1991), times series (Frank/Goyal, 2003; Fama/French, 2002).

Capital structure decisions and corporate strategy. The stakeholder's theory of the firm and its application to the capital structure choices: the model by Titman-Grinblatt. The costs imposed on stakeholders and their influence over the capital structure choices. The intellectual capital and the capital structure choices. How intellectual capital may be considered in financing choices: Myers, Zingales.

The capital structure decisions in emerging markets. The research into the determinants of capital structure in emerging markets: Empirical testing of capital structure theories in emerging markets. Trade-off theory versus pecking order of financing in Russian companies and other emerging markets.

### Required Reading:

1. Ивашковская И.В., Солнцева М.С. Структура капитала российских компаний: тестирование концепции компромисса и порядка источников финансирования // Электронный журнал «Корпоративные финансы». 2007. Выпуск 2. С. 17-31.

### Optional Reading:

1. Bhaduri S. Determinants of Capital Structure Choice: a Study of Indian Corporate Sector – *Applied Financial Economics*, 2002, n.12, pp.655-665
2. Chirinko, R. S., Singha, A. R. Testing Static Trade-off Against Pecking Order Models of Capital Structure: a Critical Comment. - *Journal of Financial Economics*, 2000, n. 58, pp. 417-425
3. Jack Glen and Ajit Singh Comparing capital structures and rates of return in developed and emerging markets, *Emerging Markets Review*, Volume 5, Issue 2, June 2004, Pages 161-192
4. Graham J.R. How Big are Tax Benefits of Debt? Should They be Bigger? *The Journal of Finance*, 2000, vol.55, p.1901-1941
5. Fama E.F., French .R. Testing Trade-Off and Pecking Order Predictions about Dividends and Debt. - *Review of Financial Studies*, 2002, n.15, pp.1-33
6. Grinblatt M., Titman S. Financial Markets and Corporate Policy. McGraw-Hill. 1998, ch.13, 14, 16, ch.17 (17.1-17.3), ch.18 (18.1-18)
7. Baker M., Wurgler J. Market Timing and Capital Structure. – *The Journal of Finance*, 2002, vol.57, pp.1-32
8. Booth L., Aivazian V., Demircug-Kunt A., Maksimovic V. Capital Structures in Developing Countries. – *Journal of Finance*, 2001, n.56, pp.87-130
9. Frank M., Goyal V. Testing the Pecking Order Theory of Capital Structure – *Journal of Financial Economics*, 2003, n.67, pp.217-248
10. Ivashkovskaya I., Solntseva M. The Capital Structure of the Russian Companies: Testing Trade-off Theory versus Pecking Order Theory. – *Электронный журнал «Корпоративные финансы»*, 2007, выпуск 2
11. Myers S. Outside Equity, *Journal of Finance*, 2000, n. 55, pp.1005-1037



12. Myers S. Capital Structure. *Journal of Economic Perspective*, 2001, n.15, pp.91-10
13. Leland H. Agency Costs, Risk Management and Capital Structure. – *Journal of Finance*, 1998, n. 51, 1213-1244
14. Zingales L. In Search of New Foundations. *Journal of Finance*, 2000, n.55, pp.1623-1653
15. Shyam-Sunder, S. Myers. Testing the Static Tradeoff Against the Pecking Order – *Journal of Financial Economics*, 1999
16. Jung K., Kim Y., Stulz R. Timing, Investment Opportunities and the Security Issue Decision.- *Journal of Financial Economics*, 1996, n.42, pp.159-185
17. Hart O., Moor J. Default and Renegotiation: A Dynamic Model of Debt.- *Quarterly Journal of Economics*, 1998, n.113, pp.1-41
18. Hart O., Moor J. A Theory of Debt Based on the Inalienability of Human Capital.- *Quarterly Journal of Economics*, 1994, n.109, 841-879
19. Parrino R., Wiesbach M. Measuring Investment Distortions Arising from Stockholder- Bondholder Conflicts.- *Journal of Financial Economics*, 1999, n.53, p.3-42
20. Titman S. The Modigliani-Miller Theorem and the Integration of Financial Markets. – *Financial Management*, 2002, n.31, 101-115
21. Rajan R.G., Zingales L. Which Capitalism? Lessons from East Asian Crisis.- *Journal of Applied Corporate Finance*, 1998, n.11, pp.40-48

### **Topic 3. Capital Structure Decision - Making: Applications in Developed and Emerging Markets.**

The financial approach to capital structure planning as compared to the traditional accounting data-based EBIT-EPS analysis. The target capital structure and the role of static trade-off theory in capital structure planning. The adjusted present value (APV) model of determining the optimal debt ratio: the assumptions, the variables and their quantitative assessment. The quantitative evaluation of the firm's bankruptcy costs and the marginal tax benefits. The operating income model of planning for optimal debt ratio: the assumptions, the variables and their quantitative assessment. The credit rating model: the assumptions, the variables and the limitations. The weighted average cost of capital model and its specific features: the criteria for optimal debt level and the limitations of the model. The research on determinants of capital structure and the regression model for capital structure planning. The dynamic theories of capital structure and optimal debt ratio modelling. The distress tax model of target debt ratio (Titman/Opler, 1994). Planning for optimal capital structure in the firms with growth opportunities (Lang, Stultz, Ofek, 1996). Real option approach to the financial flexibility analysis.

#### **Required Reading:**



1. Ивашковская И.В., Солнцева М.С. Структура капитала российских компаний: тестирование концепции компромисса и порядка источников финансирования // Электронный журнал «Корпоративные финансы». 2007. Выпуск 2. С. 17-31.

### Optional Reading:

1. Leland H. Agency Costs, Risk Management and Capital Structure. – *Journal of Finance*, 1998, n. 51, 1213-1244
2. Leland H. Corporate Debt, Bond Covenants and Optimal Capital Structure.- *Journal of Finance*, 1994, n. 49,pp.1213-1252
3. Smith C.W., Raising Capital: Theory and Evidence. – D..Chew (Editor). *The New Corporate Finance: Where Theory Meets Practice*. 2nd edition, Irwin McGraw-Hill, pp.178-194
4. Morrelec E. Asset Liquidity, Capital Structure and Secured Debt. – *Journal of Financial Economics*, 2001, n.61, 173-206
5. Lewis C.M., Rogalski R.J., Seward J.K. Is Convertible Debt a Substitute for Straight Debt or Common Equity? – *Financial Management*, 1999, vol.28,n.3, pp.5-27
6. Grinblatt M., Titman S. Financial Markets and Corporate Policy. McGraw-Hill. 1998, ch. 17, 19
7. Damodaran A. Financing Innovation and Capital Structure Choices.- *Journal of Applied Corporate Finance*, Spring 1999, Vol.12 No.1
8. Barclay M.J., Smith C.W. On Financial Architecture: Leverage, Maturity and Priority. – D..Chew (Editor) *The New Corporate Finance: Where Theory Meets Practice*. 2nd edition, Irwin McGraw-Hill, pp. 230-243
9. Opler T.C., Titman S. Designing Capital Structure to Create Shareholder Value. - *Journal of Applied Corporate Finance*, 1997, vol.10,n.1
10. Goldstein R.N, Ju and H.Leland. An EBIT-Based Model of Dynamic Capital Structure. – *Journal of Business*, 2001, n.74, pp.483-512
11. Hovakimian A., Hovakimian G. and H.Tehrani, Determinants of target capital structure: The case of dual debt and equity issues - *Journal of Financial Economics*, 2004 Vol 71, P 517-540
12. Hovakimian A., Opler T.C., Titman S. The Debt-Equity Choice. *Journal of Financial and Quantitative Analysis*. 2001, vol.36, pp.1-24
13. Mauer D.C., Ott S. Agency Costs, Underinvestment and Optimal Capital Structure. The Effects of Growth Options to Expand. – *Project Flexibility, Agency Costs and Competition*. Ed. by Trigeorgis.
14. David A. Guenther and Michael Willenborg. Capital gains tax rates and the cost of capital for small business: evidence from the IPO market. *Journal of Financial Economics* 1999 Vol 53, Iss3, Pages 385-408
15. Korajczyk R.A., Levy A. Capital Structure Choice: Macroeconomic Conditions and Financial Constraints. – *Journal of Financial Economics*, 2003, n.69, pp.75-109



#### **Topic 4. Payout Policies: Theory Development and Empirical Research**

The aggregate measurers for dividend payout for building research tests. Signaling and adverse selection models of corporate payout policies. The strengths and weaknesses of payout signaling literature based on early models (Bhattacharya, 1979). The model with dividends and share repurchase perfect substitution for one another. The dissipative costs of different types of payout. The model with dividends and share repurchase imperfect substitution for one another (John/Williams, 1985). The new stage in signaling explanations of payout policies: the better informed clientele (Alen/Bernardo/Welch, 2000), the change in risk signaling effects and “maturity hypothesis” (Grullon/Michaely/Swamianathan, 2002). The methods for testing signaling models of corporate payout policies: event studies, time series (Fama/French, 2003), partial adjustment model to control for the predictable component of future earnings (Grullon/Benartzi/Michaely/THaler, 2003). Empirical evidence on signaling models for payout policies.

The measurers for share repurchases (Stephens/Weisbach, 1998). The stylized facts on share repurchases. The adverse selection costs of share repurchases (Brennan/Thakor, 1990). The empirical evidence on share repurchases. The adjustments to the Lintner stylized facts model by dividend-forecast error (Grullon/Michaely, 2002). The share repurchases decisions and stock option plans (Weisbenner, 2000).

The determinants of corporate payout policies studies in a new economy (Graham/Harvey, 2003). The dividend premium in new issues (Baker/Wurgler, 2000)..

The corporate payout policies in emerging markets. The determinants of payout policies in emerging markets. Comparative studies in dividend policies in developed and emerging markets.

#### **Required Reading:**

1. Ивашковская И.В., Солнцева М.С. Структура капитала российских компаний: тестирование концепции компромисса и порядка источников финансирования // Электронный журнал «Корпоративные финансы». 2007. Выпуск 2. С. 17-31.

#### **Optional Reading:**

1. Malcolm Baker and Jeffrey Wurgler Appearing and disappearing dividends: The link to catering incentives, *Journal of Financial Economics* 2004 Vol 73, Iss 2, August, Pages 271-288
2. Backer M., Wurgler J. A Catering Theory of Dividends. – *The Journal of Finance*, 2004, vol.59, n.3, pp.1125-1166
3. H. DeAngelo, L.DeAngelo, D.J.Shinner Special Dividends and the Evolution of Dividend Signaling, *Journal of Financial Economics*, 2000 Vol .57 Iss 3





4. Grinblatt M., Titman S. *Financial Markets and Corporate Policy*. McGraw-Hill. 1998, ch.15, 18, 19 (19.4)
5. Fama E.F., French K.R. Disappearing Dividends: Changing Firm Characteristics or Lower Propensity to Pay? – *The Journal of Finance*,
6. Gustavo Grullon, Roni Michaely, Bhaskaran Swaminathan, Are dividend changes a sign of firm maturity? -*The Journal of Business*. July 2002, Vol. 75, Iss. 3;
7. DeAngelo H., DeAngelo L., Skinner D.J. Are Dividends Disappearing? Dividend Concentration and the Consolidation of Earnings. - *Journal of Financial Economics*, 2004 n.78, pp.425-256
8. Allen F., Bernardo A., Welch I. A Theory of Dividends based on Tax Clienteles.- *The Journal of Finance*, 2000, vol.55, n.6, pp.2499-2536
9. Benartzi S., Michaely R., Thaler R. Do Changes in Dividends Signal the Future or the Past? – *The Journal of Finance*, 1997, vol 52, n.3, pp.1007-1043
10. Grullon G., Ikenberry D. What Do We Know about Stock Repurchase
11. Michaely R., Thaler R., Womack K. Price Reactions to Dividends Initiations and Omissions – *The Journal of Finance*, 1995, vol.50, n.2, pp.573-608
12. Nissim D., Ziv A. Dividend Changes and Future Profitability, - *The Journal of Finance*, 2001, vol.61, n.6, pp.2111-2134
13. La Porta R., Lopez-De-Silanes F., Schleifer A., Vishny R. Agency Problem and Dividend Policies around the World – *The Journal of Finance*, 2000, n.55, 1-33
14. Jagannathan M., Stephens C., Weisbach M. Financial Flexibility and the Choice between Dividends and Stock Repurchase. *Journal of Financial Economics*, 2000, vol.57, pp.355-384
15. Grullon G., Michaely R. The Information Content of Share Repurchase Programs. *The Journal of Finance*, 2003
16. Grullon G., Michaely R. Dividends, Share Repurchases and the Substitution Hypothesis, *The Journal of Finance*, 2002, vol.62, n.4, pp. 1649-1684
17. Ikenberry D., Lakonishok J., Vermaelen T. Share Repurchases in Canada: Performance and Strategic Trading. – *The Journal of Finance*, 2000, vol.55, pp.2373-2397

### **Topic 5. Applications of derivative pricing models: real options.**

Managerial flexibility of firm's financial and investment decisions. Definition of real option. Types of simple real options: option to defer, option to expand, option to contract, option to abandon. Description of real option parameters compared to financial option parameters. Decision tree analysis. Valuation of risky assets discounted at risk adjusted rate. Method of certainly equivalent cash flows. Real option valuation in discrete time. Replicating portfolio and risk-neutral probabilities in discrete time. Quantifying uncertainty, several approaches:



discounted cash flows (DCF), decision tree analysis (DTA) and real option valuation (ROV).

Portfolio of real options. Compounded real options. Moving from discrete time to continuous time. Option pricing in continuous time, Black, Scholes, Merton equation. Assumptions and restrictions of Black, Scholes, Merton model. Application of Monte-Carlo method to real option valuation.

Stepwise investment and its valuation by real options method. Option to switch. Advantages and restrictions of real option methodology. Industries where real options are most applied. Real options in oil and mining industrial sectors. Valuation of oil and gas licenses.

### Main reading:

1. Ивашковская И.В., Солнцева М.С. Структура капитала российских компаний: тестирование концепции компромисса и порядка источников финансирования // Электронный журнал «Корпоративные финансы». 2007. Выпуск 2. С. 17-31.

### Optional reading list:

1. Black, F. and Scholes, M. 'The pricing of options and corporate liabilities'. *Journal of Political Economy*, No. 81, 1973, pp. 637-659.
2. Brennan, M., and Schwartz, E. "A new approach to evaluating natural resource investments". *Midland Corporate Finance Journal*, Vol. 3, No. 1, pp. 37-47.
3. Childs, P. D., Ott S. H., and Triantis, A. J. "Capital budgeting for interrelated projects: a real options approach". *Journal of Financial and Quantitative Analysis*, Vol. 33, No. 3, September 1998, pp. 305-334.
4. Cox, J., Ross, S., and Rubinstein, M. "Option pricing: a simplified approach". *Journal of Financial Economics*, Vol. 7, No. 3, 1979, pp. 229-263.
5. Copeland N., and V. Antikarov. *Real Options – A Practitioner's Guide*. Texere, 2001.
6. Trigeorgis L. *Real Options – Managerial Flexibility and Strategy in Resource Allocation*. The MIT Press, 2000.
7. Esty, B. C. "Improved techniques for valuing large-scale projects". *The Journal of Project Finance*, Spring 1999, pp. 9-25.
8. Herath, H. S. B., and Park, C. S. "Economic analysis of R&D projects: an options approach". *The Engineering Economist*, Vol. 44 No. 1, 1999, pp. 1-35.
9. Kemna, A.G.Z. 'Case Studies on Real Options'. *Financial Management*, Autumn, 1993, pp. 259 – 270.
10. Kester, W. C. "Today's options for tomorrow's growth". *Harvard Business Review*, March-April 1984, pp. 153-159.
11. Moel, A., and P. Tufano. 'Bidding for the Antamina Mine: Valuation and Incentives in a Real Options Context,' in M.J. Breenan and L. Trigeorgis,





- eds. *Project Flexibility, Agency, and Competition*. Oxford University Press, 2001.
12. Panayi S, and Trigeorgis L. 'Multi-stage Real Options: The Cases of Information Technology Infrastructure and International Bank Expansion'. *The Quarterly Review of Economics and Finance*, Vol. 38, special issue, 1998, pp. 675-692.
13. Schwartz E.S. 'Patents and R&D as Real Options'. *White Paper*, Andersen School at UCLA, 2001.
14. Vonnegut A. 'Real Options Theories and Investment in Emerging Economies'. *Emerging Markets Review*, 1 – 2000, pp. 82-100.

## **Part 2. Corporate Financial Architecture and Corporate Performance**

### **Topic 6. Corporate Financial Architecture: the Stylized Research Results on the Components.**

The components of financial architecture of the firm. Ownership structure and corporate performance. The empirical research on the role of ownership structure: the research models, the methods of testing and the evidence. The performance of owner-controlled firms and manager-controlled firms. The empirical studies on ownership dispersion and corporate value as a measurer for performance (Gugler,2004).The dispersed shareholder's ownership and corporate performance: the hump-shaped relation between concentration of ownership and market capitalization: McConnell/Servaes,1999. Managerial ownership and its influence over the performance. The problem of endogeneity of ownership concentration in empirical research on ownership and performance:Demstev/Lehn,1985;Kole,1995;Cho,1998;Demsetz/Villalonga,2001; Claessens et al.,2000. The institutional ownership and its influence over the performance. The blockholder models and the benefits and costs of large shareholder monitoring. The monitoring incentives of blockholders and motivation to hold larger blocks (Huddart,1993). The monitoring incentives of firms with liquid secondary market: the models and empirical research (Kahn/Winton,1998; Maug,1998).

Corporate Governance within financial architecture of the firm and the role of Boards. The corporate governance ratings and the methods for the quality of governance study. Corporate governance and corporate performance. The types of research models and results. The model for research by Corporate finance center (CFC) of HSE.

#### **Required Reading:**

1. Ивашковская И.В., Солнцева М.С. Структура капитала российских компаний: тестирование концепции компромисса и порядка



источников финансирования // Электронный журнал «Корпоративные финансы». 2007. Выпуск 2. С. 17-31.

### Optional Reading:

1. Demsetz H., Villalonga B. Ownership Structure and Corporate Performance. *Journal of Corporate Finance*. 2001, vol.7, pp.209-233
2. Cho M. Ownership Structure, investments, and the Corporate Value: An Empirical Analysis. *Journal of Financial Economics*, 1998, vol.47, pp.103-121
3. Grinblatt M., Titman S. *Financial Markets and Corporate Policy*. McGraw-Hill. 1998, ch. 17, 19
4. Myers S. Financial Architecture. – *European Financial Management*. 1999, n.5, pp.133-141
5. Ivashkovskaya I.V., Stepanova A.N. Does strategic corporate performance depend on corporate financial architecture? Empirical study of European, Russian and other emerging market's firms // *Journal of management and governance*, 2011. Т. 15. № 4. С. 603—616.
6. Claessens S., Djankov S., L. Lang. The Separation of Ownership and Control in East Asia. *Journal of Finance*, , 2002, vol.57, 2741-2771
7. Gugler K., ed. *Corporate Governance and Economic Performance*. Oxford University Press. Oxford. 2001.
8. Demsetz H., Lehn K. The Structure of Corporate Ownership: Causes or Consequences? *Journal of Political Economy*, 1985, vol.93, pp.1155-1177
9. Hart O. Financial Contracting. – *Journal of Economic Literature*, 2001, n. 34, pp.1079-1100
10. Kole S.R. Measuring. Managerial Equity Ownership: a Comparison of Sources of ownership Data. *Journal of Corporate Finance, Contracting, Governance and Organization*. 1995, vol.1, pp.413-435
11. McConnel J., Servaes R. Additional Evidence on Equity Ownership and Corporate Value. *Journal of Financial Economics*. 1990, vol.27, pp.595-612

### Topic 7. Corporate Financial Architecture: Internal Capital Market

Internal capital markets, the methods for intra-firm bargaining and internal allocation of financial capital. The benefits and disadvantages of internal allocations of financial capital. The nature of conglomerate discounts and premiums. The efficient internal capital market and creation of corporate value: the model of conglomerate by Stein (1997). The investment decisions of conglomerate firms. The relation between the internal capital market efficiency and the amount of external capital raised. The measures for internal capital market efficiency: the excess net external capital and Internal market size



measures by Peyer (2001), the index of diversified firm's internal market by Billet/Mayuer (2003). The cross-subsidization and the nature of diversification discounts. The methods of empirical testing of efficiency of investment decisions: segment Tobin's  $q$ , (Whited, 2001; Shin/Stulz, 1998; Scharfstein, 1998); the industry adjusted investment by Rajan/Servaes/Zingales (2000).

**Required Reading:**

1. Ивашковская И.В., Солнцева М.С. Структура капитала российских компаний: тестирование концепции компромисса и порядка источников финансирования // Электронный журнал «Корпоративные финансы». 2007. Выпуск 2. С. 17-31.

**Optional Reading:**

1. Billet M., Mayuer D. Cross Subsidies, External Financing constraints, and the Contribution of the Internal Capital Markets to Firm Value. *Review of Financial Studies*. 2003, vol.16, pp.1167-1202
2. Grinblatt M., Titman S. *Financial Markets and Corporate Policy*. McGraw-Hill. 1998, ch. 19
3. Scharfstein D.S., Stein J.C. The Dark Side of Internal Capital Markets: Divisional Rent Seeking and Inefficient Investment. – *The Journal of Finance*, 2000, n.55, pp.2537-2564
4. Stein J.C. Internal Capital Markets and the Competition for Corporate Resources. - *The Journal of Finance*, 1997, 52, pp.111-133

**Articles for the Course:**

1. Allen F., Bernardo A., Welch I. A Theory of Dividends based on Tax Clienteles. - *The Journal of Finance*, 2000, vol.55, n.6, pp.2499-2536
2. Ивашковская И.В., Солнцева М.С. Структура капитала российских компаний: тестирование концепции компромисса и порядка источников финансирования // Электронный журнал «Корпоративные финансы». 2007. Выпуск 2. С. 17-31. [www.cfjournal.ru](http://www.cfjournal.ru)
3. Aswath Damodaran Country Risk and Company Exposure: Theory and Practice, [Journal of Applied Finance](#). Tampa: [Fall 2003](#). Vol.13, Iss. 2; pg. 63
4. Aswath Damodaran Country Risk and Company Exposure: Theory and Practice, [Journal of Applied Finance](#). Tampa: [Fall 2003](#). Vol.13, Iss. 2; pg. 63
5. Backer M., Wurgler J. A Catering Theory of Dividends. – *The Journal of Finance*, 2004, vol.59, n.3, pp.1125-1166
6. Baker M., Wurgler J. Market Timing and Capital Structure. – *The Journal of Finance*, 2002, vol.57, pp.1-32



7. Bekaert,G.,C.Harvey. Foreign Speculators and Emerging Equity Markets. *Journal of Finance*,2000, vol.55,pp.565-613
8. Bekaert,G.,C.Harvey.the Dynamics of Emerging Markets Equity Flows. *Journal of International Money and Finance*, 2002, vol.21,pp.295-350
9. Benartzi S., Michaely R., Thaler R. Do Changes in Dividends Signal the Future or the Past? – *The Journal of Finance*, 1997, vol 52,n.3, pp.1007-1043
- 10.Bhaduri S. Determinants of Capital Structure Choice: a Study of Indian Corporate Sector – *Applied Financial Economics*, 2002, n.12, pp.655-665
- 11.Black, F. and Scholes, M. 'The pricing of options and corporate liabilities'. *Journal of Political Economy*, No. 81, 1973, pp. 637-659.
- 12.Booth L., Aivazian V.,Demirguc-Kunt A., Maksimovic V. Capital Structures in Developing Countries. –*Journal of Finance*, 2001, n.56,pp.87-130
- 13.Brennan, M., and Schwartz, E. “A new approach to evaluating natural resource investments”. *Midland Corporate Finance Journal*, Vol. 3, No. 1, pp. 37-47.
- 14.Chari A.,Henry.P.*Stock Market Liberalization and Repricing of Systematic Risk*.NBER .2001. Working Paper 8265.Cambridge.MA
- 15.Chari A.,Henry.P.*Stock Market Liberalization and Repricing of Systematic Risk*.NBER .2001. Working Paper 8265.Cambridge.MA
- 16.Childs, P. D., Ott S. H., and Triantis, A. J. “Capital budgeting for interrelated projects: a real options approach”. *Journal of Financial and quantitative Analysis*, Vol. 33, No. 3, September 1998, pp. 305-334.
- 17.Chirinko, R. S., Singha, A. R. Testing Static Trade-off Against Pecking Order Models of Capital Structure: a Critical Comment. - *Journal of Financial Economics* , 2000, n. 58,pp. 417-425
- 18.Chirinko, R. S., Singha, A. R. Testing Static Trade-off Against Pecking Order Models of Capital Structure: a Critical Comment. - *Journal of Financial Economics* , 2000, n. 58,pp. 417-425
- 19.Cho M.Ownership Structure , investments, and the Corporate Value:An Empirical Analysis.*Journal of Financial Economics*, 1998,vol.47,pp.103-121
- 20.Cox, J., Ross, S., and Rubinstein, M. “Option pricing: a simplified approach”. *Journal of Financial Economics*, Vol. 7, No. 3, 1979, pp. 229-263.
- 21.DeAngelo H.,DeAngelo L., Skinner D.J. Are Dividends Disappearing? Dividend Concentration and the Consolidation of Earnings. - *Journal of Financial Economics*, 2004 n.78, pp.425-256
- 22.Demsetz H.,Lehn K. The Structure of Corporate Ownership: Causes or Consequences? *Journal of Political Economy*, 1985, vol.93,pp.1155-1177
- 23.Demsetz H.,Villalonga B. Ownership Structure and Corporate Performance. *Journal of Corporate Finance*. 2001, vol.7, pp.209-233
- 24.Denis D.,J.,Denis D.K.,Yost K.Global Diversification, Industrial Diversification, and Firm Value. *Journal of Finance*, 2002, vol.57,pp.1951-1979



25. Scott E., Mayfield Estimating the market risk premium -*Journal of Financial Economics* 2004 Vol 73, Iss 3, Pages 465-496
26. Bhaduri S. Determinants of Capital Structure Choice: a Study of Indian Corporate Sector – *Applied Financial Economics*, 2002, n.12, pp.655-665
27. Estrada, J. Systematic risk in emerging markets: the D-CAPM. *Emerging Markets Review*, vol. 3, 2002, pp. 365-379
28. Esty, B. C. “Improved techniques for valuing large-scale projects”. *The Journal of Project Finance*, Spring 1999, pp. 9-25.
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30. Fama E.F., French .R. Testing Trade-Off and Pecking Order Predictions about Dividends and Debt. - *Review of Financial Studies*, 2002, n.15, pp.1-33
31. Fama E.F., French .R. Testing Trade-Off and Pecking Order Predictions about Dividends and Debt. - *Review of Financial Studies*, 2002, n.15, pp.1-33
32. Fama E.F., French K.R. Disappearing Dividends: Changing Firm Characteristics or Lower Propensity to Pay? – *The Journal of Finance*,
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35. Frank M., Goyal V. Testing the Pecking Order Theory of Capital Structure – *Journal of Financial Economics* , 2003, n.67, pp.217-248
36. Graham J.R. How Big are Tax Benefits of Debt? Should They be Bigger? *The Journal of Finance*, 2000, vol.55, p.1901-1941
37. Graham J.R. How Big are Tax Benefits of Debt? Should They be Bigger? *The Journal of Finance*, 2000, vol.55, p.1901-1941
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41. Gugler K., ed. Corporate Governance and Economic Performance. Oxford University Press. Oxford. 2001.
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43. DeAngelo H., L. DeAngelo, D. J. Shinner Special Dividends and the Evolution of Dividend Signaling, *Journal of Financial Economics*, 2000 Vol .57 Iss 3
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47. Hart O., Moor J. A Theory of Debt Based on the Inalienability of Human Capital.- *Quarterly Journal of Economics*, 1994, n. 109, 841-879
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49. Hart O., Moor J. Default and Renegociation: A Dynamic Model of Debt.- *Quarterly Journal of Economics*, 1998, n. 113, pp. 1-41
50. Henry P. Stock Market Liberalization, Economic Reform, and Emerging market prices. *Journal of Finance*, 2000, vol. 55, pp. 529-564
51. Herath, H. S. B., and Park, C. S. “Economic analysis of R&D projects: an options approach”. *The Engineering Economist*, Vol. 44 No. 1, 1999, pp. 1-35.
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54. Kester, W. C. “Today’s options for tomorrow’s growth”. *Harvard Business Review*, March-April 1984, pp. 153-159.
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57. Jack Glen and Ajit Singh Comparing capital structures and rates of return in developed and emerging markets, *Emerging Markets Review*, Volume 5, Issue 2, June 2004, Pages 161-192
58. Jack Glen and Ajit Singh Comparing capital structures and rates of return in developed and emerging markets, *Emerging Markets Review*, Volume 5, Issue 2, June 2004, Pages 161-192
59. Jagannathan M., Stephens C., Weisbach M. Financial Flexibility and the Choice between Dividends and Stock Repurchase. *Journal of Financial Economics*, 2000, vol. 57, pp. 355-384
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61. Jung K., Kim Y., Stulz R. Timing, Investment Opportunities and the Security Issue Decision.- *Journal of Financial Economics*, 1996,n.42,pp.159-185
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69. Moel, A., and P. Tufano. 'Bidding for the Antamina Mine: Valuation and Incentives in a Real Options Context,' in M.J. Breenan and L. Trigeorgis, eds. *Project Flexibility, Agency, and Competition*. Oxford University Press, 2001.
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78. Rajan R., Servaes H. , Zingales L. The Cost of Diversity: the Diversification Discount and Inefficient Investment. *The Journal of Finance*, 2000, vol.55, pp.35-80
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83. Sang-Gyung Jun, Achla Marathe and Hany A. Shawky, Liquidity and stock returns in emerging equity markets - [Emerging Markets Review](#) Volume 4, Issue 1, March 2003, Pages 1-24
84. Sang-Gyung Jun, Achla Marathe and Hany A. Shawky, Liquidity and stock returns in emerging equity markets - [Emerging Markets Review](#) Volume 4, Issue 1, March 2003, Pages 1-24
85. Scharfstein D.S., Stein J.C. The Dark Side of Internal Capital Markets: Divisional Rent Seeking and Inefficient Investment. – *The Journal of Finance*, 2000, n.55, pp.2537-2564
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88. Stulz R.M. 1999, Globalization, Corporate Finance, and the Cost of Capital - *Journal of Applied Corporate Finance*, 12 (1)
89. Schwartz E.S. 'Patents and R&D as Real Options'. *White Paper*, Andersen School at UCLA, 2001.
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