Doctoral course
Corporate Finance
Fall term 2024
University of Zurich
Syllabus version August 30, 2024

Faculty

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Teaching Assistants

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Purpose

This course offers a graduate level introduction into corporate finance. The primary goal of the class is that students acquire an awareness and understanding of important issues in corporate finance. The course focuses on presenting "classic" contributions, but will point you to current papers where possible. There will also be time to discuss potential avenues for future interesting research questions. In doing so, some compromises have to be made in terms of how detailed the treatment of each topic can be. The course also presents useful tools from contract theory and game theory. Overall, the course also aims at training students to use these tools for their own research.

Although the course's focus is theoretical, we will attempt to relate models to real world phenomena. There is a separate course on empirical corporate finance, but we will also discuss several empirical papers.

Target group and prerequisites

This course is primarily designed for doctoral students in finance, although it is also open to doctoral students from other social sciences and to interested students in the MScQF program at the University of Zurich. If this is not a mandatory course for you (i.e., if you are not in the Department of Finance's track B doctoral program) please send an email to Kjell Nyborg and Alex Wagner, indicating your affiliation and attaching your CV.

Since modern corporate finance and organizational economics theory relies heavily on game and contract theory, participants are expected to be familiar with basic concepts in these areas

of microeconomics. The course will emphasize economics rather than mathematical difficulties.

Logistics

We will generally meet weekly. The course schedule is as follows (some changes are likely to be made as we go along).

Meeting time: Monday, 9 a.m. - 12.00 p.m., unless indicated differently below

Materials are made available online on OLAT.

Lecture	Faculty	Date	Room	Topic
1	KN	Sept 16	PLM-1-103/104	Introduction, logistics, overview of the course topics; Miller&Modigliani: Capital structure and dividend irrelevance
2	KN	Sept 23	PLM-1-103/104	Corporate cash holdings and repurchases
3	AW	Sept 30	PLM-1-103/104	Payout policy; Incentive contracts
4	KN	Oct 7	PLM-1-103/104	TBA
5	-	Oct 14	-	-
6	AW	Oct 21	PLM-1-103/104	Agency and executive compensation; Boards
7	-	Oct 28	-	-
8	-	Nov 4	-	-
9	AW	Nov 11, start at 8 a.m.	PLM-1-103/104	Boards; Relational contracts
10	AW	Nov 18	PLM-1-103/104	Incomplete contracts; Behavioral corporate finance
11	AW	Nov 25	PLM-1-103/104	TBA
12	-	Dec 2	-	-
13	KN/AW	Dec 9	PLM-1-103/104	Student presentations
14	KN/AW	Dec 16	PLM-1-103/104	Student presentations
		Jan 6, 2025	TBC	Exam

Requirements

To pass this class, you are expected to fulfill the following requirements:

1. Class participation

2. Problem sets

3. Presentations/Discussions

4. Referee report

5. Exam

The weighting will be: Problem sets 20%, Presentation/discussion 15%, Referee report 15%, Exam 50%. Class participation can lead to discretionary grade adjustments.

Please abide by the following rules. You have to submit all problem sets:

1) typed up in either LaTex, MS Word, or another word processor and turned into a pdf (make sure all formulas and graphs are readable)

2) by email to the teaching assistant responsible. For the file name, use the format PSx_Lastname1Lastname2.pdf, where x stands for the problem set number. Thus, if Merton Miller and Franco Modigliani are submitting problem set 2 of Alex Wagner's part together, the correct file name is PS2_MillerModigliani.pdf, and they would send this to malte.schlosser@df.uzh.ch.

You are encouraged to submit the problem sets in groups of two or three students. There are no make-up problem sets or assignments. Late problem sets are not accepted.

The following table gives an overview of the dates of the problem sets, though there may be slight adjustments during the term.

Problem sets KN	Distributed	Due date
1	Sept 16	Sept 23, 9.00 a.m.
2	Sept 23	Sept 30, 9.00 a.m.
R	Sept 30	Dec 9, Dec 23
Problem sets AW	Distributed	Due date
1	Sept 30	Oct 14, 9.00 a.m.
2	Sept 30	Oct 28, 9.00 a.m.
3	Nov 11	Nov 18, 9.00 a.m.
R	Sept 30	Dec 9, Dec 23

Problem set R is a discussion of a paper and a referee report. Specifically, on December 9 (and possibly December 16), students will present and discuss a recent working paper (out of a list provided by KN and AW). Detailed instructions of what such a presentation and discussion should entail will follow. By December 23, you will have to deliver a written referee report on that paper (which should reflect also those issues that came up in your presentation).

Reading list

A list of papers will be distributed.

Additional reading: A comprehensive textbook on corporate finance is Jean Tirole's "The Theory of Corporate Finance". You might find it useful as a reference. For a good introduction to contract theory, we recommend Bernard Salanié's "The Economics of Contracts". The best comprehensive reference is "Contract Theory" by Patrick Bolton and Mathias Dewatripont. An excellent game theory book is Drew Fudenberg's and Jean Tirole's "Game Theory".

On modeling, paper-writing, and life as an academic

The following three references are particularly useful:

Thomson, William. A Guide for the Young Economist. Cambridge, MA: MIT Press, 2011.

Pedersen, Hal R. "How to Succeed in Academia." undated.

Varian, Hal R. "How to Build an Economic Model in Your Spare Time." 2009.