

Doctoral Research Seminar

Empirical Research Methods in Finance and Accounting

(Part II)

Introduction

The course is the second part of a series of doctoral seminars on empirical research in finance and accounting. The approach will emphasize the theoretical foundations and econometric rigor of empirical work. The course series will cover the main research areas of empirical research in asset pricing, corporate finance, and financial reporting. This first part of the series will focus on corporate finance and banking.

Objectives

The course objective is to equip students with tools to conduct empirical research in Finance and Accounting.

Learning Outcomes

At the end of the course students will have an understanding of the main research topics in these areas and the tools to conduct their own independent research.

Competences

General Competences:

- Conduct a critical analysis, evaluation and synthesis of new and complex ideas with the objective to produce general principles applicable to business situations.
- Use appropriate tools and techniques for problem solving, correction contrasting and decision validation.
- Demonstrate knowledge and understanding that provide a basis or opportunity for originality in developing and / or application of ideas, often related to a research context.
- Students should be able to communicate clearly and concisely their conclusions, underlying knowledge and reasons to a specialized and non-specialized audience.

- Students should possess the learning outcomes that enable them to continue studying in a way that will be largely self-directed or autonomous.

Specific Competences:

- Conduct a critical analysis, evaluation and synthesis of new and complex ideas with the objective to produce general principles applicable to business situations.
- Ability to articulate research questions that could extend our understanding of the field, and design a research program to answer them.

Content

The course is structured in two independent modules. The first module will cover research topics on corporate finance, with a focus on investment and financing decisions by firms. The second module will cover banking and corporate finance topics related to banking, with a focus on agency problems, asymmetric information, and static capital structure theory.

Methodology

The course will be conducted in the doctoral seminar style in 20 sessions. Each topic will typically consist of an interactive lecture providing an overview of the research in that particular topic. The papers will be varied in methodology in order to give students exposure to the econometric techniques used in the field.

Each student will develop during the course a research project on a topic of her/his interest. The results of this research project (even if preliminary) will be presented and discussed on the last day of class. Each student will submit at the end of the course a document describing the research question, the contribution to prior literature, the empirical methods used, and a discussion of the results. The document will be written in the usual working paper format, including tables, figures, a reference list, and appendices (if needed). The document will be written in Times Roman, 12 pt, double space and will not be longer than 50 pages.

Evaluation

The measuring of the learning outcomes and the grading of the course for the students will be according to class participation, the performance in take-home assignments, and the final project. In particular, the grading will be determined as follows:

Class participation	20%
Assignments	40%
Final project (presentation and research proposal)	40%

Outline

I. Module on Corporate Finance (12 sessions)

1 & 2	Cross-sectional determinants of leverage	Professor: Stefano Sacchetto
3 & 4	Corporate cash holdings	Professor: Stefano Sacchetto
5 & 6	Structural estimation in corporate finance	Professor: Stefano Sacchetto
7 & 8	Dynamic models of corporate investment	Professor: Stefano Sacchetto
9 & 10	Dynamic models of corporate financing	Professor: Stefano Sacchetto
11 & 12	Mergers and acquisitions	Professor: Stefano Sacchetto

II. Module on Corporate Finance and Banking (8 sessions)

13 & 14	Modigliani and Miller, taxes, static trade-off	Professor: Christian Eufinger
15 & 16	Asymmetric information theories	Professor: Christian Eufinger
17 & 18	Agency problems	Professor: Christian Eufinger
19 & 20	Students' presentations	Professors: Christian Eufinger, Stefano Sacchetto

Bibliography

The main references for the course are:

- Roberts, Michael R., and Whited, Toni M., "Endogeneity in Empirical Corporate Finance", in *Handbook of the Economics of Finance*, Volume 2, pp. 493-572, Elsevier, 2013.
- Strebulaev, Ilya A., and Whited, Toni M., "Dynamic Models and Structural Estimation in Corporate Finance", *Foundations and Trends in Finance*, Volume 6, pp. 1-163, 2012.

Before each lecture, we will post on the Blackboard page for the course any relevant papers/readings.

There are no required textbooks for the course. However, there are several books on corporate finance and investment that can be used for reference -- here is a short list of some excellent ones:

- Tirole, Jean, *The Theory of Corporate Finance*, Princeton Press, 2006. The main reference for theory work in corporate finance, based on models of asymmetric information.
- Adda, Jerome, and Cooper, Russell, *Dynamic Economics. Quantitative Methods and Applications*, MIT press, 2003. Excellent introduction to dynamic discrete-time models, their numerical analysis and estimation.
- Brealey, Richard, Myers, Stewart, and Allen, Franklin, *Principles of Corporate Finance*, Prentice Hall, 2013. Standard MBA textbook in finance, can be used as background reading.

Professors' Biography

Professor Christian Eufinger

Prof. Eufinger's research interests include the foundations of interbank markets, the interaction of banks' capital structure and investment choices, and the corporate governance of banks, banking regulation, and the channels through which banks exert an influence on the real economy.

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Professor Stefano Sacchetto

Prof. Sacchetto's main field of research is corporate finance. His work focuses, in particular, on the development and estimation of structural models of corporate decisions, such as mergers and acquisitions, firm investment, and corporate financing policies. His research has been published in the Journal of Financial Economics, the Journal of Economic Dynamics and Control, and Applied Economics.

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