

Empirical Corporate Finance (ECF)

Syllabus

Master in Finance (Elective Course Unit)

2019/2020, 1st Semester

FACULTY:

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COURSE OBJECTIVES:

This course unit intends to offer the Master in Finance students some concepts and capabilities of applied research in Finance, and in particular in Corporate Finance. The objective is to empower students so that they are able to develop empirical studies in this field, identifying the right sources of financial data, knowing how to collect these data, and also being able to treat financial data and interpret it adequately. There is the additional intention that this course unit will simplify the development of the empirical work of research associated with the dissertations of the Master in Finance. The course has the following objectives:

- To understand the basic concepts of empirical academic research in Finance, with a special focus in the case of corporate finance.
- To be able to collect data from the main financial databases (Bloomberg, Reuters, Amadeus, amongst others).
- To know how to transform that data in order for it to be used in research, in particular using software like STATA for econometrics purposes.
- To apply, in the field of corporate finance, the concepts and fundamentals of econometrics learned previously, understanding how to program in these cases.
- To have firsthand contact with some of the research currently being developed at ISEG in areas related to corporate finance, based on presentations of papers, cases, and articles.

COURSE OUTLINE:

1. Introduction: The main research themes in Corporate Finance

2. Collecting and Managing Financial Data

- 2.1. Collect data from the main databases (Reuters Eikon, Reuters Datastream, Amadeus).
- 2.2. Data organization to be used in an econometric package
- 2.3. Merging data from different datasets

3. Introduction to Financial Data Analysis using a statistical package

- 3.1. Descriptive statistics
- 3.2. Graphics manipulation
- 3.3. Applications in Corporate Finance (Examples: articles on corporate financial policy, taxation, public-private partnerships, project finance, etc.).

4. Research Cases in Corporate Finance

- 4.1. "Classical" research problems in corporate finance, identifying the situations in which different models should be adopted and how to estimate them. (Examples: OLS/GLM; Panel data regression; Probit/Logit; Ordered probit; Multinomial logit; Duration models; Endogeneity concerns; fractional models).
- 4.2. Applications in Corporate Finance (Examples: articles on corporate financial policy, taxation, public-private partnerships, identifying the different models to estimate and how to program).

5. Overview of Empirical Academic Research in Finance, in particular in Corporate Finance

BIBLIOGRAPHY:

- Cameron, A. C., & Trivedi, P. K. (2010). *"Microeconometrics using stata"*, (Vol. 2). College Station, TX: Stata press.
- Graham, J. R. (2003), "Taxes and Corporate Finance: A Review", *Review of Financial Studies*, Vol. 16, pp. 1074-1128.
- Graham, J. R. (2006), "A Review of Taxes and Corporate Finance", *Foundations and Trends in Finance*, Vol. 1 No. 7, pp. 573-691.
- Graham, J. R., Raedy, J. S. and Shackelford, D. A. (2008), "Research in accounting for income taxes", *Journal of Accounting and Economics*, Vol. 53 No. 1-2, pp. 412-434.
- Hanlon, M. and Heitzman, S. (2010), "A review of tax research", *Journal of Accounting and Economics*, Vol. 50, pp. 127-178.
- Scholes, M. S., Wolfson, M. A., Erickson, Hanlon, M., Maydew, M. and Shevlin, T. (2015), *"Taxes and Business Strategy: A Planning Approach"*, 5th ed., New Jersey, Pearson Prentice Hall.
- Shackelford, D. A. and Shevlin, T. (2001), "Empirical tax research in accounting", *Journal of Accounting and Economics*, Vol. 31 No. 1-3, pp. 321-387.

EVALUATION:

Research Note in Finance (individual) (50%):

Please see the instructions for the individual written report in “work instructions” doc.

The grading will be based on a written report and on an oral presentation.

The individual presentation is limited to 5 minutes, and an additional 5 minutes for Q&A. Non-presenting students are allowed and encouraged to pose questions during the Q&A portion of the presentation.

Deadline: 18/11/2019 (written report)

Group Work Assignment (50%):

Please see the instructions for the group work in “work instructions” doc.

This work consists in: 1) creating a database from the financial bases; 2) create a do-file that analyses the data (data diagnostics, regressions, post estimation diagnostics); 3) Write a small report with the STATA outputs and analyze of the results of the regressions.

Students must organize themselves into groups of 3 students.

Deadline: 09/01/2020

ECONOMETRIC PACKAGE:

In sessions 2 to 9 students must bring a laptop with the statistical software package STATA installed. Access to licenses will be explained in session 1.

CALENDAR OF ACTIVITIES:

Session	Topic
1	1. Introduction Master Dissertation Workshop: Corporate Finance and Taxation Academic Research
2	2. Collecting and Managing Financial Data 2.1. Collect data from the main databases (Reuters Eikon, Datastream, Amadeus).
3	2.2. Data organization to be used in an econometric package
4	2.3. Merging data from different datasets
5	3. Introduction to Financial Data Analysis using a statistical package 3.1. Descriptive statistics
6	3.2. Graphics manipulation
7	4. Research Cases in Corporate Finance 4.1. "Classical" research problems in corporate finance, identifying the situations in which different models should be adopted and how to estimate them.
8	
9	
10	5. Overview of Empirical Academic Research in Finance, in particular in Corporate
11	Finance
12	Students' presentations
13	Conclusions, Revisions, and Research Proposals