School of Economics and Management

BUSN92, Business Administration: Empirical Corporate Finance, 7.5 credits

Business Administration: Empirical Corporate Finance, 7,5 högskolepoäng

Second Cycle / Avancerad nivå

Details of approval

The syllabus was approved by The Board of the Department of Business Administration on 2013-05-23 and was last revised on 2019-10-11. The revised syllabus applies from 2019-10-11, autumn semester 2020.

General Information

BUSN92 is a master level course. It can be a compulsory or an elective course in Business Administration at master level as well as an independent subject course.

The course is offered in English. Students must therefore be able to communicate in English both orally and in writing.

Language of instruction: English

Main field of studies	*Depth of study relative to the degree requirements*
Business Administration	A1N, Second cycle, has only first-cycle course/s as entry requirements

Learning outcomes

A passing grade on the course will be awarded to students who:

Knowledge and understanding
- Have demonstrated knowledge of the impact of market imperfections, in particular transaction costs, adverse selection, and agency problems, on corporate financial decision making, with particular emphasis on internal and external financing, payouts, liquidity, and risk management.
- Have demonstrated knowledge of parameter estimation in cross-sectional and time- series settings, especially ability to explain, compute, and interpret statistical

tests of composite hypotheses, omitted and irrelevant variables, and model stability.
- Have demonstrated knowledge of diagnostics testing, especially ability to explain the nature of, diagnose, and solve commonly occurring problems in residual error structures.

Competence and skills
- Have demonstrated ability to use theories of corporate finance and their independent judgment to analyze corporate financial events and developments.
- Have demonstrated ability to estimate parameters in cross-sectional models and dynamic time-series models by means of suitable software.
- Can communicate the results, and their analyses and conclusions, of qualitative and quantitative investigations of corporate financial problems, clearly and unambiguously, orally and in writing.

Judgement and approach
- Have demonstrated ability to justify, recommend, and defend theoretically consistent solutions to problems identified in their analyzes of corporate financial events and developments.
- Have demonstrated ability to select appropriate statistical tests based upon the financial investigation to be performed and the statistical properties of the data.
- Have demonstrated ability to analyze and interpret the results of their statistical testing.

Course content

This is an applied course on the neoclassical theory of, and econometric tools used in corporate finance. Through cases, exercises, and assignments, the course trains students in analyzing and solving complex and unstructured practical and empirical corporate financial situations and problems. The course provides an advanced treatment of the theory of corporate finance and it is essential to hold background knowledge of corporate finance equivalent to that provided in an advanced level undergraduate course in corporate finance. The treatment of empirical methods is aimed at end users of econometric tools rather than model builders. Still, it is important to hold background knowledge of econometrics equivalent to an introductory undergraduate course in econometrics.

The point of departure of the first theme of the course –the neoclassical theory of corporate finance –is the constraints imposed by market imperfections on value-maximizing financial decision making. Market inefficiencies covered include taxes, financial distress costs, adverse selection, and agency problems. Corporate finance topics covered include capital structure, distribution policies, and liquidity and risk management. The focus is on application rather than derivation of models, the main objective being to train students in analyzing and making corporate finance decisions, using the theory of corporate finance as the frame of reference.

The focus of the second theme –econometric tools used in corporate finance –lies on learning the econometric intuition behind the methods studied and how to use them properly rather than deriving asymptotic properties of estimators. Methods covered include techniques for analyzing cross-sectional and time-series data. Topics include estimation, hypothesis testing, and diagnosing misspecification of linear regression models; univariate modeling of stationary and non-stationary time series using unit root tests and ARIMA modeling; conditional models; and dynamic single-equation modeling for stationary and non-stationary data using autoregressive and error

correction models, including estimation of short- and long-run effects.

Course design

The course is conducted in the form of lectures, exercises, and case discussions. Assigned readings, cases, and exercises are integral parts of the teaching and learning activities. The examination consists of assignments, case work, and written examination covering all teaching and learning activities.

Assessment

See appendix including examination sessions. (Will be attached to the curriculum automatically in the system).

The examination consists of assignments, case work, and written examination covering all teaching and learning activities.

The examiner, in consultation with Disability Support Services, may deviate from the regular form of examination in order to provide a permanently disabled student with a form of examination equivalent to that of a student without a disability.

Subcourses that are part of this course can be found in an appendix at the end of this document.

Grades

Marking scale: Fail, E, D, C, B, A.
Betygsskalan omfattar betygsgraderna Underkänt, E, D, C, B, A.

Grade (Definition) Points or % out of maximum points. Characteristic.

A (Excellent) 85-100. A distinguished result that is excellent with regard to theoretical depth, practical relevance, analytical ability and independent thought.

B (Very good) 75-84. A very good result with regard to theoretical depth, practical relevance, analytical ability and independent thought.

C (Good) 65-74. The result is of a good standard with regard to theoretical depth, practical relevance, analytical ability and independent thought and lives up to expectations.

D (Satisfactory) 55-64. The result is of a satisfactory standard with regard to theoretical depth, practical relevance, analytical ability and independent thought.

E (Sufficient) 50-54. The result satisfies the minimum requirements with regard to theoretical depth, practical relevance, analytical ability and independent thought, but not more.

F (U) (Fail) 0-49. The result does not meet the minimum requirements with regard to theoretical depth, practical relevance, analytical ability and independent thought.

Plagiarism is considered to be a very serious academic offence. The University will take disciplinary actions against any kind of attempted malpractice in examinations and assessments. The penalty that may be imposed for this, and other improper practices in examinations or assessments, includes suspension from the University for a specific

period of time.

Entry requirements

Students admitted to a master program where this course is either a compulsory or elective part are qualified for the course. For other students, at least 60 CP or ECTS-cr in Business Administration is required. These must include a course in basic Business Administration Introductory Course in Business Administration FEKA90.

Students are also required to have successfully completed FEKH81 Corporate Finance or an equivalent advanced level undergraduate course in corporate finance, as well as an undergraduate course in statistics or econometrics covering cross-sectional regression and time-series modeling.

Further information

The course cannot be combined with BUSN80 Financial econometrics or BUSN81 Theory of Corporate Finance in a degree.

In case of termination of the course: students who have not successfully completed (parts of) the examination will be offered three re-examination opportunities within three semesters after the termination. After this, if a student still has not passed the course, the student may only get a certificate of completion on those parts of the examination that has been completed.

Subcourses in BUSN92, Business Administration: Empirical Corporate Finance

Applies from H13

1301 Empirical Corporate Finance, 7,5 hp
      Grading scale: Fail, E, D, C, B, A