COURSE OUTLINE

This course is designed to provide a framework for understanding the determinants of corporate investment, financing, and dividend policies, and to expose you too much of the available evidence on these topics. There will be several problems sets and a final exam on Monday, August 6. In calculating the final course grade, class participation will count 5%; the problem sets, 30%, and the final 65%. Most of the problem sets will be group assignments. At the end of the course, each student will be asked for an assessment of the members’ contribution to their study-team assignments.

The books for the course are:

- **Brealey/Myers** (2006) Principles of Corporate Finance

1. **INTRODUCTION**

   - **Smith** (1990) "The Theory of Corporate Finance: A Historical Overview.” (handed out in class)

2. **CORPORATE LEVERAGE**

   - **Brealey/Myers** (2003) Chapter 17 through 21 may provide useful background for the remaining readings
   - **Smith** (1979) "Applications of Option Pricing Analysis,” in *Handbook of Financial Economics* edited by J. Bicksler (North-Holland: Amsterdam) 79-121 (handed out in class) — focus on sections 1-3
   - **Barclay/Smith/Watts** (1997) “The Determinants of Corporate Leverage and Dividend Policies,” *Focus on leverage discussion.* (handed out in class)
3. **EXECUTIVE COMPENSATION POLICY**


4. **CORPORATE FINANCING POLICY**


Lewent/Kearney “Identifying, Measuring and Hedging Currency Risk at Merck,” (reprinted in Chew, 428)


5. **CORPORATE PAYOUT POLICY**

Brealey/Myers (2003), Chapter 16


Barclay/Smith/Watts (1997) “The Determinants of Corporate Leverage and Dividend Policies,” *Focus on payout policy.* (handed out in class)


6. **SUMMARY**