International Business 6332
Seminar in International Capital Markets
Spring 2013

Instructor: Erik Devos
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Email: hdevos@utep.edu
Office hours: Thursday 4:30-5:30
Class hours: Thursday 1:30-4:20
Class room: COBA 328

Course Objective

To introduce students to research and (research) methods used in the execution of empirical finance and accounting. There will be particular emphasis on various research method and data sources that are used in state of the art empirical research. These methods and data sources will be a fundament for additional (empirical) PhD courses in finance and accounting. In addition, by covering these topics in relation to the areas of capital structure, mergers and acquisitions, and corporate governance the students are introduced to these important areas of research.

Operating Procedures

Class Meetings
In each class meeting either the instructor and/or student(s) will be assigned to present one or more of the papers listed in this syllabus. These presentations will be professionally performed using power point slides and should include the major theories, results, paradoxes, and frontier issues. In addition, the student will be required to critique/discuss the paper. The students who are not assigned to present or discuss papers will read the assigned papers carefully and be ready to further discuss these papers (in order to do so they will prepare a one page summary per assigned paper (these are to be handed in to the instructor (in printed format) at the beginning of class and will be generated by the individual student, i.e. this is not group work)). Also, note that these summaries cannot be (or copied) from the abstract at the beginning of the paper. Powerpoint presentations are to be emailed to the instructor at least 1 hour prior to the start of class. However, the student is responsible to have them uploaded on the class room computer when class starts.

Assignments
During the semester several assignments, based on the readings will be handed out. These assignments are to be handed in by the student at the beginning of the class in which they will be discussed. Each assignment will be empirical in nature. The student is to bring in any datasets and program used to complete the assignment (on a cd or flash drive). Students will randomly be selected to present their findings in class. The student is required to use SAS to program these assignments. A good primer is the "little sas book". It is important to have SAS installed on your computer (see Jack Vaughn) and to have access to WRDS (see Jack Vaughn). Make sure you do so before the first class of the semester.
Referee reports
During the semester the instructor may assign any number of papers to be refereed by the students. Referee reports are expected to be of a quality similar to those one could receive from a top journal.

Written Paper
Students are required to produce a 15 to 30 page paper on a topic of their choice (in consultation with the instructor). At several points in the semester, deliverables related to this paper are due (check the outline). These papers must include a literature review, hypotheses with adequate motivation, methodology that includes definitions of variables, how they will be measured, a description of how data is collected and analyzed, conclusion, references, and tables. Your paper should be formatted in such a way that it can be send to the Journal of Finance (look at JF for formatting requirements). In the final week of the semester you will hand in the project and present it in class.

Exams
There will be two exams given during the semester. These exams will be cumulative in nature and will cover (but are not limited to) the readings in the syllabus (irrespective of whether we covered them in class), class discussions, assignments and presentations that the students attended.

Math requirements
During the first class a math test will be given. When the student does not pass this test, the student will be required to take remedial action, until the student is able to pass this test. The math required to start a finance PhD program is at least comparable to the material covered in Alpha. C. Chiang’s Fundamental Methods of Mathematical Economics”. It is suggested to read up on this material prior to the course.

Academic Integrity
The University of Texas at El Paso prides itself on its standards of academic excellence. In all matters of intellectual pursuit, UTEP faculty and students must strive to achieve based on the quality of the worked produced by the individual. In the classroom and in all other academic activities, students are expected to uphold the highest standards of academic integrity. Any form of scholastic dishonesty is an affront to the pursuit of knowledge and jeopardizes the quality of the degree awarded to all graduates of UTEP.

Any student who commits an act of scholastic dishonesty is subject to discipline. Scholastic dishonesty includes, but is not limited to, cheating, plagiarism, collusion, the submission for credit of any work or materials that are attributable in whole or in part to another person, any act designed to give unfair advantage to a student or the attempt to commit such acts. Proven violations of the detailed regulations, as printed in the Handbook of Operating Procedures (HOP) and available in the office of the Dean of Students, may result in sanctions ranging from disciplinary probation, to failing grades on the work in question, to failing grades in the course,
to suspension or dismissal, among others.

Students with Disabilities
If you feel you may have a disability that requires accommodations, contact CASS at 747-5148, go to room 306 E. Union, or email: cass@utep.edu.

Grading
Semester grades will be based on the following:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Class participation</td>
<td>10%</td>
</tr>
<tr>
<td>Presentations/discussions</td>
<td>10%</td>
</tr>
<tr>
<td>Assignments, referee reports</td>
<td>20%</td>
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<tr>
<td>Exam 1</td>
<td>20%</td>
</tr>
<tr>
<td>Exam 2</td>
<td>20%</td>
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<tr>
<td>Paper</td>
<td>20%</td>
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</tbody>
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TENTATIVE SCHEDULE

Date:

1-24  Syllabus, Introduction, Overview, Expectations
      Math test.
      Professional Development
      Writing papers:
      Career Advice:
      Publishing:
      Tips from Don Chance:
      http://www.bus.lsu.edu/academics/finance/faculty/dchance/Research/PublishingTips.pdf
      Reviewing Papers:
      Tips from Wayne Ferson:
      http://timsimin.net/Papers/Class/Advice/Fersonrefreport.pdf

1-31  Event study


Other required reading (event study):

Long Run Studies (stock performance)


Other required reading (Long Run Studies):
* Gur-Gershgoren, Hughson, and Zender, “A Simple-But- Powerful Test for Long-Run Event Studies”, WP.

2-14

**Assignment session (discussion of assignment 1 and 2)**

**Proposed paper topic due.**

Long Run Studies (operating performance) and accounting data


2-21

**Capital Structure**


2-28

Proposed paper literature review and introduction due.


3-7

Assignment session (discussion of assignment 3)


Other required reading (Capital Structure):


3-14

Exam 1

3-28

Mergers and Acquisitions


Assignment 4 (Capital structure project) due


Proposed paper empirical set-up due.


Other required reading (mergers and acquisitions):


4-18

Assignment session (discussion of assignment 4)

Corporate Governance


4-25


5-2

Assignment session (discussion of assignment 5 and 6)


5-9


Other required reading (Corporate Governance):


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**Week 15**

**Exam 2**

**Finals Week**

Final proposal due

**Student proposal presentations / discussions**
Assignment 1: Event Study

1 – From the CRSP events file get all announcements of stock splits in the period 2004-2005. For the period -1,0,1 calculate mean and median abnormal returns using the following methodologies: market adjusted and market model (estimate the parameters in the period -250,-10). Use all available market data (ie. Value weighted portfolio, market weighted portfolio).

Assignment 2: Long term stock performance

2 – Using the announcement dates generated in assignment 1 calculate long term abnormal returns for the 1 year, 2 year, and 3 year interval. Do so using a buy and hold strategy, a CAR strategy, and also using a 3 factor model (get factor loading from Ken French’s website and use monthly returns). All with equal and value weighted market indices.

Assignment 3: Long run operating performance

3 – Using the dates from assignment 1 calculate long term operating performance (up to 3 years after the announcement date) for your sample firms, using the prescribed method suggested by Barber and Lyons.

Assignment 4: Capital Structure


Assignment 5: M&A

5 – Download all mergers and acquisitions (use screens as applicable in the M&A literature) in 1998 and 2004. Show whether the mergers (deal, bidder, and target) have different (statistically !!) characteristics. Look at the current literature to find characteristics that are economically meaningful (limit yourself to characteristics coming from the following databases: SDC, CRSP and Compustat).

Assignment 6: IBES

6 – Using IBES see whether there are differences in analyst behavior between bidder and target firms. Calculate analyst following, analyst expectations, analyst surprises prior to the merger.