International Business 6332
Seminar in International Capital Markets
Spring 2015

Instructor:	Erik Devos
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Office hours:	Friday 12:00-1:00
Class hours:	Friday 1:30-4:20
Class room:	TBD

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 Mathmatical 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:

Class participation	10%
Presentations/discussions	10%
Assignments, referee reports	20%
Exam 1	20%
Exam 2	20%
Paper	20%

TENTATIVE SCHEDULE

Date:

Fri 1-23 Syllabus, Introduction, Overview, Expectations
Math test.

Event study

Brown, S.J. and J.B. Warner. 1980. "Measuring Security Price Performance." *Journal of Financial Economics* 8: 205-258.
1Brown, S.J. and J.B. Warner. 1985. "Using Daily Stock Returns: The Case of Event Studies."*Journal of Financial Economics* 14: 3-31.
2Prabhala. N., 1997. "Conditional Methods in Event-Studies and an Equilibrium Justification for Using Standard Event-Study Methods" *Review of Financial Studies* 10: 1-38.
3Pankaj Maskara and Donald J. Mullineaux. "Information asymmetry and self-selection bias in bank loan announcement studies" Journal of Financial Economics, Volume 101, Issue 3, September 2011, Pages 684-694

Other required reading (event study):

MacKinlay, A.C. 1997. "Event Studies in Economics and Finance." *Journal of Economic Literature* 35: 13-39.
Campbell, J.Y, A. W. Lo, and A.C. Mackinlay. The Economics of Financial Markets. Princeton University Press 1997 – Chapter 4.
*Scholes, M., and J. Williams, 1977. "Estimating Betas from Non-Synchronous Data." *Journal of Financial Economics* 5: 309-328.
Fama, E.F., L. Fisher, M.C. Jensen and R. Roll. 1969. "The Adjustment of Stock Prices to New Information." *International Economic Review* 10: 1-21.
Bernard. V. 1987. "Cross-sectional Dependence and Problems in Inference in Market-Based Accounting Research." *Journal of Accounting Research* 25: 1-48.

Malatesta, P., and R. Thompson, 1985. “Partially Anticipated Events: A Model of Stock Price Reactions with an Application to Corporate Acquisitions.” *Journal of Financial Economics* 14: 237-250.
Corrado, C., 1989. “A Non-parametric Test for Abnormal Security Price Performance in Event Studies,” *Journal of Financial Economics* 23: 385-395.
Wayne H. Mikkelson, M. Megan Partch. “Valuation effects of security offerings and the issuance process”Journal of Financial Economics, Volume 15, Issues 1-2, January-February 1986, Pages 31-60
*Raymond Fisman. “Estimating the Value of Political Connections” The American Economic Review, Vol. 91, No. 4 (Sep., 2001), pp. 1095-1102
*Jeffrey A. Busse, T. Clifton Green. ‘Market efficiency in real time’ Journal of Financial Economics, Volume 65, Issue 3, September 2002, Pages 415-437

<u>Tuesday 1-27</u>

<u>Long Run Studies (stock performance)</u>

4Barber, B. and J. Lyon, 1997. “Detecting Long-run Abnormal Stock Returns: The Empirical Power and Specification of Test Statistics.” *Journal of Financial Economics* 43: 341-372.
5Mitchell, M. L., and E. Stafford, 2000. “Managerial Decisions and Long-term Stock Price Performance.” *Journal of Business* 73: 287-329.
6Fama, E, 1998. “Market Efficiency, Long-Term Returns, and Behavioral Finance.” *Journal of Financial Economics* 49: 283-306.

Other required reading (Long Run Studies):
*Carhart, M., 1997. “On Persistence in Mutual Fund Performance." *Journal of Finance* 52: 57-82.
*Fama, E. F., and K. R. French, 1992. “The Cross-section of Expected Stock Returns,” *Journal of Finance* 47: 427-465.
Fama, E. F., and K. R. French, 1996. “The CAPM is Wanted, Dead or Alive.” Journal of Finance 51: 1947-1958.
Kothari, S.P., and Jerold Warner, 1997. “Measuring Long-run Security Price Performance.” *Journal of Financial Economics* 43: 301-340.
Loughran, T., and J. R. Ritter, 2000. “Uniformly Least Powerful Tests of Market Efficiency.”*Journal of Financial Economics* 55: 361-389.
*Lyon, J., B. Barber and C. Tsai, 1999. “Improved Methods for Tests of Long-run Abnormal Stock Returns.” *Journal of Finance* 54: 165-201.
Fama, E. F., and K. R. French, 1993. “Common Risk Factors in the Returns on Stocks and Bonds.” *Journal of Financial Economics* 33: 3-56.
MacKinlay, A. C., 1995. “Multifactor Models do not Explain Deviations from the CAPM.” *Journal of Financial Economics* 38: 3-28.

Liew, J., and M. Vassalou, 2000. “Can Book-to-Market, Size and Momentum be Risk Factors that Predict Economic Growth?” *Journal of Financial Economics* 57: 221-245.
*Gur-Gershgoren, Hughson, and Zender, “A Simple-But- Powerful Test for Long-Run Event Studies”, WP.

<u>Friday 2-6</u>

Assignment session (discussion of assignment 1 and 2)
Proposed paper topic due.

<u>Long Run Studies (operating performance) and accounting data</u>

7Barber, B. and J. Lyon, 1996. "Detecting abnormal operating performance: The empirical power and specification of test statistics." *Journal of Financial Economics* 41: 359-399.

<u>Friday 2-13</u>

<u>Capital Structure</u>

8Jensen, M. and W. Meckling, 1976. “Theory of the firm: managerial behaviour, agency costs and capital structure.” *Journal of Financial Economics* 3: 305-360.
9Jensen, M. 1986, “The Agency Costs of Free Cash Flow: Corporate Finance and Takeovers” *American Economic Review* 76
10Graham, J., 2000, “How big are the tax benefits of debt?” *Journal of Finance* 55, 1901-1941.

<u>Tuesday 2-17</u>

Proposed paper literature review and introduction due.

11Berger, P.G., Ofek E., and D. Yermack, 1997 “Managerial Entrenchment and Capital Structure Decisions.” *Journal of Finance* 52: 1411-1438.
12Faulkender, M. and M. Petersen, 2006. “Does the Source of Capital Affect Capital Structure?” *Review of Financial Studies* 19: 45-79.
13Baker, M., and J. Wurgler, 2002. “Market timing and capital structure.” *Journal of Finance* 57, 1-32.

<u>Friday 2-27</u>

Assignment session (discussion of assignment 3)

14 Flannery, M. and K. Rangan , 2006, "Partial adjustment toward target capital structures." J*ournal of Financial Economi*cs 79 : 469-506.
15Allen N. Berger, Nathan H. Miller, Mitchell A. Petersen, Raghuram G. Rajan, Jeremy C. Stein Does function follow organizational form? Evidence from the lending practices of large and small banks Journal of Financial Economics, Volume 76, Issue 2, May 2005, Pages 237-269

Other required reading (Capital Structure):

*Copeland, T., J. Weston, and K. Shastri. Financial theory and corporate policy. Addison-wesley. – Chapter 15.
*Rajan, R., and L. Zingales, 1995," What do we know about capital structure? Some evidence from international data." *Journal of Finance* 50: 1421-1460.
*Graham, J., and C. Harvey, 2001. "The theory and practice of corporate finance: evidence from the field." *Journal of Financial Economics* 60: 187-243.
Modigliani, F., and M. Miller, 1958. "The cost of capital, corporation finance and the theory of investment," *American Economic Review* 48, 261-297.
Modigliani, F., and M. Miller, 1963,"Corporate income taxes and the cost of capital: a correction," *American Economic Review* 53, 433-443.
Myers, S., 1977. "Determinants of corporate borrowing." *Journal of Financial Economics* 5, 147-175.
*Ross, S., 1977, "The determinantion of financial structure: the incentive signalling approach," *Bell Journal of Economics* 8, 23-40.
*Frank, M., and V. Goyal, 2003, "Testing the pecking order theory of capital structure," *Journal of Financial Economics* 67, 217-248.
*Lemmon, M., and J. Zender, 2010, "Debt capacity and tests of capital structure theories," *Journal of Financial and Quantitative Analysis* 45:5, 1161-1187.
Mackie-Mason, J., 1990, "Do taxes affect corporate financing decisions?" *Journal of Finance* 45, 1471-1493
*Fama, E., and K. French, 1998, "Taxes, financing decisions, and firm value," *Journal of Finance* 53, 819-843.
*Strebualev. I., 2007. "Do Tests of Capital Structure Theory Mean What They Say?" *Journal of Finance* 62: 1747-1787.
*Zwiebel, J., 1996, "Dynamic capital structure under managerial entrenchment." *American Economic Review* 86, 1197-1215.
Shyam-Sunder and S. Myers, 1999. "Testing Static Tradeoff Against Pecking Order Models of Capital Structure." *Journal of Financial Economics* 51: 219-244
Harris, M. and A. Raviv, 1991. "The theory of capital structure." Journal of Finance 46, 297-355.
David J. Denis, Vassil T. Mihov. The choice among bank debt, non-bank private debt, and public debt: evidence from new corporate borrowings Journal of Financial Economics, Volume 70, Issue 1, October 2003, Pages 3-28
Alexander W. Butler, Jess Cornaggia Does access to external finance improve productivity?
Evidence from a natural experiment Journal of Financial Economics, Volume 99, Issue 1, January 2011, Pages 184-203

Hsuan-Chi Chen & Jay R. Ritter The Seven Percent Solution Journal of Finance, 2000, vol. 55(3), pages 1105-1131.
* Michael Faulkender, Mitchell A. Petersen Does the Source of Capital Affect Capital Structure? Review of Financial Studies, (Spring 2006) 19 (1): 45-79 (duplicated 2/28 paper 12)
Gemma Lee, Ronald W. Masulis Seasoned equity offerings: Quality of accounting information and expected flotation costs Journal of Financial Economics, Volume 92, Issue 3, June 2009, Pages 443-469
*Malcolm Baker, Robin Greenwood, Jeffrey Wurgler The maturity of debt issues and predictable variation in bond returns Journal of Financial Economics, Volume 70, Issue 2, November 2003, Pages 261-291
Alexander W. Butler, Gustavo Grullon, and James P. Weston Can Managers Successfully Time the Maturity Structure of Their Debt Issues?
Journal of Finance, 2006, Vol. 61, No. 4 (August), 1731-1758
*****Myers, S. and N. Majluf, "Corporate Financing and Investment Decisions when Firms have Information that Investors Do Not Have", *Journal of Financial Economics* 13: 187-221.
*****Miller, M., 1977, Debt and taxes, *Journal of Finance* 32, 261-275.

<u>Friday 3-6</u>

<u>Mergers and Acquisitions</u>

16Jensen, M. and R. Ruback, 1983"The Market for Corporate Control: The Scientific Evidence," *Journal of Financial Economics* 11 : 5-50.
17Andrade, G., M. Mitchell, and E. Stafford, 2001, "New Evidence and Perspectives on Mergers," *Journal of Economic Perspectives,* 15, 103-120
18Bradley, M., A. Desai and E.H. Kim, 1988. "Synergistic gains from corporate acquisitions and their division between the stockholders of target and acquiring firms." *Journal of Financial Economics* 21 : 3–40.

<u>Friday 3-20</u>
Exam 1

<u>Friday 3-27</u>

Assignment 4 (Capital structure project) due

19Loughran, T., and A. Vijh. 1997. "Do Long-Term Shareholders Benefit from Corporate Acquisitions?" *Journal of Finance* 52 : 1765-1790.
20Harford, J., 2005, "What Drives Merger Waves?" *Journal of Financial Economics,* 77, 529-560.

<u>Tuesday 4-7</u>

Proposed paper empirical set-up due.

21Devos, E., P. R. Kadapakkam and S. Krishnamurthy, 2009. “How do Mergers Create Value? A Comparison of Taxes, Market Power, and Efficiency Improvements as Explanations for Synergies”, *Review of Financial Studies*, Vol 22 No 3, 1179-1211.
22Datta, S., M. Iskandar-Datta, and K. Raman. 2001. "Executive Compensation and Corporate Acquisition Decisions," *Journal of Finance* :56, 2299-2336.

Other required reading (mergers and acquisitions):

*Copeland, T., J. Weston, and K. Shastri. Financial theory and corporate policy. Addison-wesley. – Chapter 18.
Bhagat, S., M. Dong, D. Hirshleifer, and R. Noah, 2005, “Do Tender Offers Create Value? New Methods and Evidence,” *Journal of Financial Economics,* 76, 3-60.
*Bouwman, C., K. Fuller, and A. Nain, 2009, “Market Valuation and Acquisition Quality: Empirical Evidence,” *Review of Financial Studie*s, Vol 22, No 2, 633-679.
*Shleifer, A., and R. W. Vishny, 2003, “Stock Market Driven Acquisitions,” *Journal of Financial Economics,* 70, 295-311.
*M. Rhodes-Kropf and D. Robinson, 2008. “The Market for Mergers and the Boundaries of the Firm.” *Journal of Finance,* Vol 53, No 3, 1169-1211.
Bradley, M., A. Desai and E.H. Kim , 1983. “The rationale behind interfirm tender offer in information or synergy.’ *Journal of Financial Economics* 11 ; 183–206
Dong, M., D. Hirshleifer, S. Richardson, and S. H. Teoh, 2006, “Does Investor Misvaluation Drive the Takeover Market?” *Journal of Finance,* 61, 725-762.
Fee, C. E., and S. Thomas, 2005, “Sources of Gains in Horizontal Mergers: Evidence from customer, supplier and rival firms.” Journal of Financial Economics 74 : 423-460.
*Shahrur, H. 2005. "Industry Structure and Horizontal Takeovers: Analysis of Wealth Effects on Rivals, Suppliers, and Corporate Customers," *Journal of Financial Economics* 76 : 61-9.
*Moeller, S. B., F. P. Schlingemann, and R. M. Stulz, 2004, “Firm Size and the Gains from Acquisitions,” *Journal of Financial Economics,* 73, 201-228.
Rhodes-Kropf, M., D. T. Robinson, and S. Viswanathan, 2005, “Market Valuation and Merger Activity: The Empirical Evidence,” Journal of Financial Economics,* 77, 561-603.
Healy, P., K. G. Palepu, and R. Ruback. 1992 "Does Corporate Performance Improve after Mergers?" *Journal of Financial Economics* 31: 135-175.
*****Mitchell, M., and J. Mulherin, 1996. “The Impact of Industry Shocks on Takeover and Restructuring Activity,” *Journal of Financial Economics,* 41 : 193-229.
Hoberg, Gerard, and Gordon Phillips, “Product Market Synergies and Competition in Mergers and Acquisitions: A Text-Based Analysis,” Review of Financial Studies, Vol. 23, Issue 3 (2010), pp. 3773-3811.

*Fuller, Kathleen, Jeffry Netter, and Mike Stegemoller, “What Do Returns to Acquiring Firms Tell Us? Evidence from Firms That Make Many Acquisitions,” The Journal of Finance, Vol. 57, No. 4, (Aug., 2002), pp. 1763-1793.
Jovanovic, Boyan, Peter L. Rousseau, “The Q-Theory of Mergers,” The American Economic Review, Vol. 92, No. 2 (May, 2002), pp. 198-204.
*Roll, Richard, “The Hubris Hypothesis of Corporate Takeovers,” The Journal of Business, Vol. 59, No. 2, Part 1 (Apr., 1986), pp. 197-216.

<u>Friday 4-17</u>

Assignment session (discussion of assignment 4)

<u>Corporate Governance</u>

23Shleifer A.and R. Vishny 1997. “A Survey of Corporate Governance.” *The Journal of Finance* 52 : 737-783
24Fama, E., and M. Jensen, 1983. “Separation of Ownership and Control." *Journal of Law and Economics* Vol 26, No 2: 301-325.
25Gillan S., and L. Starks. 2000. “Corporate governance proposals and shareholder activism: the role of institutional investors.” *Journal of Financial Economics* 57 : 275-305

<u>Friday 4-24</u>

26Weisbach, M. 1988. “Outside Directors and CEO Turnover,” *Journal of Financial Economics* 20 : 431-460.
27Weisbach, M. and B. Hermalin. 2003 Boards of Directors as an Endogenously-Determined Institution: A Survey of the Economic Evidence”. *Economic Policy Review* 9 :7-26.
28Jensen, M., and K. Murphy, 1990. “Performance pay and top-management incentives,” *Journal of Political Economy* 98: 225-264.
29Core, J., R. Holthausen, and D. Larcker, 1999, “Corporate Governance, Chief Executive Officer Compensation, and Firm Performance,” *Journal of Financial Economics* 51: 371-406.

<u>Friday 5-1</u>

Assignment session (discussion of assignment 5 and 6)

30Zhang, I, 2007. “ Economic consequences of the Sarbanes–Oxley Act of 2002.” *Journal of Accounting and Economics* 44 : 74-115.
31Engel, E., R. Hayes, and X. Wang. 2007. “The Sarbanes–Oxley Act and firms’ going-private decisions. *Journal of Accounting and Economics* 44 : 116-145.
32Gompers, P., J. Ishii, and A. Metrick, 2003, “Corporate Governance and Equity Prices,”*Quarterly Journal of Economics* 118: 107-155.

33Holmstrom, B., and S. Kaplan. 2003. "The State of U.S. Corporate Governance: What's Right and What's Wrong?. NBER Working paper 2003
34Erickson, M., M. Hanlon, and E. Maydew, 2006, "Is There a Link Between Executive Compensation and Accounting Fraud?" *Journal of Accounting Research* 44, 113-145.
35Ferris, S., M. Jagannathan, and A. Pritchard, 2003, "Too Busy to Mind the Business? Monitoring by Directors with Multiple Board Appointments," *Journal of Finance* 58, 1,087-1,112.

Other required reading (Corporate Governance):

*Cotter, J., A. Shivdasani, and M. Zenner, 1997, "Do Independent Directors Enhance Target Shareholder Wealth During Tender Offers?" *Journal of Financial Economics* 43, 195-218
Faleye, O., 2007, "Classified Boards, Firm Value and Managerial Entrenchment," *Journal of Financial Economics* 83, 501-529
*Huson, M., R. Parrino, and L. Starks, 2001, "Internal Monitoring Mechanisms and CEO Turnover: A Long-Term Perspective, *Journal of Finance* 56, 2,265-2,297.
Klein, A., 1998, "Firm Performance and Board Committee Structure," *Journal of Law and Economics* 41, 275-303
*Yermack, D., 1996, "Higher Market Valuation of Companies with a Small Board of Directors," *Journal of Financial Economics* 40, 185-211
*Becht, M, P Bolton, and A Roell, 2002. "Corporate Governance and Control" October 2002, European Corporate Governance Institute (ECGI). Finance Working Paper (also in Handbook of the Economics of Finance. Amsterdam: North- Holland, 2003
*****Shleifer, A., and R. Vishny. 1986. "Large Shareholders and Corporate Control." *Journal of Political Economy* 94 : 461-488.
*Bertrand, Marianne, and Sendhil Mullainathan, "Enjoying the Quiet Life? Corporate Governance and Managerial Preferences," *The Journal of Political Economy*, Vol. 111, No. 5 (Oct., 2003), pp. 1043- 1075
Bennedsen, Morten, Kasper Meisner Nielsen, Francisco Pérez-González, and Daniel Wolfenzon, "Inside the Family Firm: the Role of Families in Succession Decisions and Performance," *The Quarterly Journal of Economics*, Vol. 122, No. 2 (May, 2007), pp. 647-691.
La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny, "Investor Protection and Corporate Valuation," *The Journal of Finance*, Vol. 57, No. 3 (Jun., 2002), pp. 1147- 1170.
*Bertrand, Marianne, and Sendhil Mullainathan, "Are CEOS Rewarded for Luck? The Ones without Principals Are," *The Quarterly Journal of Economics*, Vol. 116, No. 3 (Aug., 2001), pp. 901-932.

<u>Friday 5-13 Finals Week</u>

Exam 2
Final proposal due

Student proposal presentations / discussions

Assignment 1: Event Study

1 – From the CRSP events file get all <u>announcements</u> 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 form 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

4 – replicate the table III in Barclay and Smith (JF, 1995 – p.899-916), for the years 2000-2004.

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. Calclulate analyst following, analyst expectations, analyst surprises prior to the merger.