DEPARTMENT OF MANAGEMENT SCIENCES

INDIAN INSTITUTE OF TECHNOLOGY KANPUR

Proposal for New Course

Course Title: Finance and Accounting Research Seminar

Course Number: DMSXXX

Credits: 3-0-0-0 [5]

Prerequisite: The course is only prescribed for Ph.D. students in the finance and accounting area.

Proposing department: Prof. Abhinava Tripathi, Department of Management Sciences.

Other interested faculty: Prof. BV Phani, Prof. Suman Saurabh, Prof. Harshal Mulay

COURSE DESCRIPTION

This course is designed to provide an exposure of the current research in the area of finance and accounting to doctoral students. This is an introductory course which considers a wide range of topics in theoretical and empirical issues in contemporary finance and accounting literature. Issues concerning certain broad topics include financial markets, asset pricing, market efficiency, capital structure decisions, agency conflicts in the firm, dividend policy, corporate financing, the market for corporate control, corporate governance, and banking among others. The class discussions shall be based on the research papers prescribed, between the participants and the concerned faculty member, relating to the conceptual, methodological and other issues in the context of the topic and the selected research paper. The course is taught using the seminar method. The students therefore are required to come up with a perspective on the agenda of discussion issues on the prescribed readings for each session. To aid the discussion, the students may use PowerPoint presentations.

1. Course Objectives

The course aims to

- Provide a comprehensive background of nature and expanse of research in the domain of finance and accounting;
- Provide an exposure of the current research issues in various finance and accounting sub-areas;
- Help students in developing the capability to identify relevant research issues and formulation of research hypothesis;
- Develop an understanding of various aspects of research in the area;
- Provide an exposure of different methodological issues in the domain of finance and accounting.

2. Course Learning Outcomes

By the end of the course, the student should be able to

- Have a good appreciation of the important theoretical and empirical issues relevant to the domain;
- Understand the important models applicable in the domain;
- Formulate a research problem as a testable hypothesis;
- Visualize the methodology applicable to a specific research problem, and the pitfalls;
- Understand the implications of different results for the theoretical models.

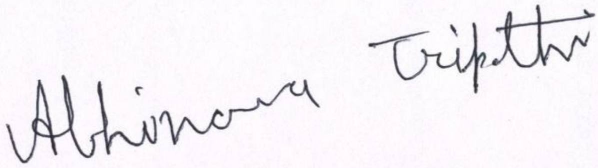
3. Course Contents and Relevant Research Papers

S. No.	Topic	No of Lectures
1	**Introduction to Financial Markets** • Fama, E. F. & French, K. R. (1992). The cross-section of expected stock returns. Journal of Finance, Vol. 47, pp. 427-465 • Fama, Eugene F. (1970). "Efficient Capital Markets: A Review of Theory and Empirical Work", Journal of Finance, Vol. 25, 383-417. • Fama, Eugene F. (1995). "Random Walks in Stock Market Prices", Financial Analysts Journal, (JanFeb), pp 75-80 • Black, F. (1986). "Noise", Journal of Finance, Vol. XLI, No. 3, pp.520-543 • Fama, E. F. & French, K. R. (1993). Common risk factors in the returns on stocks and bonds. Journal of Financial Economics, Vol. 33, pp. 3-56 • Fama, E. F. & French, K. R. (2015). A five-factor asset pricing model. Journal of Financial Economics, Vol. 116, pp. 1-22 • Baker, M. & Wurgler, J. (2006). Investor Se-*ntiment and the Cross-Section of Stock Returns. Journal of Finance, Vol. 61, pp. 1645 – 1680 • Madhavan, A. (2000). Market microstructure: a survey. Journal of Financial Markets, Vol. 3, pp. 205-258.	**2**
2	**Liquidity and Volatility of Financial Markets** • Chordia, T., Toll, R., & Subrahmanyam, A. (2000). Commonality in Liquidity. Journal of Financial Economics, Vol. 56, pp. 3-28 • Chordia, T., Toll, R., & Subrahmanyam, A. (2002). Order imbalance, liquidity, and market returns. Journal of Financial Economics, Vol. 65, pp. 111-130 • Madhavan, A. (2000). Market microstructure: A survey. Journal of Financial Markets, 3(3), 205–258.	**2**
3	**Empirical Issues in Capital Structure Theory** • Myers and Mjluf (1984) "Corporate financing and Investment Decisions when firms have information and investors do not have" The Journal of Financial Economics, 13 197-227. • Madhavan, A. (2000). Market microstructure: A survey. Journal of Financial Markets, 3(3), 205–258. • Fama French (2005) "Financing Decisions: Who Issues stock" Journal Financial Economics, 76 pp 549-582. • Frank, M. Z., & Goyal, V. K. (2009). Capital Structure Decisions: Which Factors Are Reliably Important? Financial Management, 38(1), 1–37. https://doi.org/10.1111/j.1755-053X.2009.01026.x	**2**
4	**Payout policy** • La porta , Lopez-de Silanes, Shleifer and Vishny (2000) "Agency Problem and the Dividend policy around the World", *Journal of Finance*, 55, pp 1-33. • Koch and Sun (2004) "Dividend Changes and Persistence in Past Earning Changes", *Journal of Finance,* 59, pp 2093-2116. • Datmar, Amy K (2000), "Why do firms repurchase stock?," *The Journal of Business,* 73(3), pp 331-355.	**2**

	• Graham, J & R; Harvey, (2001), "The Theory and Practice of Corporate Finance: Evidence from the Field", *Journal of Financial Economics*, 60, pp 187-243 • Brav, A; Graham, J R; Harvey, C R; & Michaely, R (2005), "Payout policy in 21st century," *Journal of Financial Economics*, 77, pp 483-527 • Grullan, G & Michaely, R (2004), " The information content of share repurchase programs," *Journal of Finance*, 59, pp 651-680	
5	**Corporate Governance** • Jensen, M and W. Meckling (1976) "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," Journal of Financial Economics, 3, pp. 305-360. • Shleifer, A. and R. Vishny (1997) "A Survey of Corporate Governance," Journal of Finance, 52, pp. 737-784. • Williamson, Oliver (1988) "Corporate finance and Corporate Governance" Journal of Finance, 43, pp 567-592. • Jensen, M. (1993) "The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems," Journal of Finance, 48 (3), pp. 831-80.	**2**
6	**Mergers, Acquisitions, Takeovers and Buyouts** • Bradley, M., A. Desai, and E. H. Kim, "Synergistic Gains from Corporate Acquisitions and Their Division Between the Stockholders of Target and Acquiring Firms," Journal of Financial Economics, 21, 1988, pp. 3-40. • Berkovitch, Elazar, and M. P. Narayanan, "Motives for Takeovers: An Empirical Investigation," Journal of Financial and Quantitative Analysis, 28, September 1993, pp. 347-362. • Andrade, Gregor, Mark Mitchell and Erik Stafford, "New Evidence and Perspectives on Mergers," Journal of Economic Perspectives 15, Spring 2001, pp. 103-120. • Roll, Richard, "The Hubris Hypothesis of Corporate Takeover," Journal of Business, 59, April 1986, pp. 197-216. • Jensen, Michael C., "Agency Costs of Free Cash Flow, Corporate Finance and Takeovers," American Economic Review, 76, May 1986, pp. 323-329.	**2**
7	**Banking** • Altman, E. I., & Saunders, A. (1997). Credit risk measurement: Developments over the last 20 years. *Journal of Banking & Finance*, *21*(11–12), 1721–1742. • Berkowitz, J., & O'Brien, J. (2002). How Accurate Are Value-at-Risk Models at Commercial Banks? *The Journal of Finance*, *57*(3), 1093–1111. https://doi.org/10.1111/1540-6261.00455 • Demirguc-Kunt, A., & Detragiache, E. (1998). The Determinants of Banking Crises in Developing and Developed Countries. *Staff Papers - International Monetary Fund*, *45*(1), 81. https://doi.org/10.2307/3867330 • Gordy, M. B. (2000). A comparative anatomy of credit risk models. *Journal of Banking & Finance*, *24*(1–2), 119–149. • Gropp, R., & Heider, F. (2010). The determinants of bank capital structure. *Review of Finance*, *14*(4), 587–622. • Ivashina, V. (2009). Asymmetric information effects on loan spreads. *Journal of Financial Economics, 92*(2), 300–319.	**2**

4. **Prerequisite:** The course is only applicable to PhD students in finance and accounting area.

5. **Short Summary:** This course provides a comprehensive overview of topical research in the domains of finance and accounting.



Proposer: Prof. Abhinava Tripathi (abhinavat@iitk.ac.in)
Dated:21/04/2025

DPGC Convener: Dated:

The course is approved / not approved

Chairperson, SPGC
Date:

Supplementary Readings

1. Allen, F., & Santomero, A. M. (2001). What do financial intermediaries do? *Journal of Banking & Finance*, *25*(2), 271–294.
2. Bhattacharya, S., & Thakor, A. V. (1993). Contemporary banking theory. *Journal of Financial Intermediation*, *3*(1), 2–50.
3. Black, F., & Scholes, M. (1973). The Pricing of Options and Corporate Liabilities. *Journal of Political Economy*, *81*(3), 637–654. https://doi.org/10.1086/260062
4. Coase, R. H. (1993). The nature of the firm (1937). *Economica*, *4*, 396–405.
5. Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. *The Journal of Finance*, *25*(2), 383–417.
6. Fama, E. F. (1978). The effects of a firm's investment and financing decisions on the welfare of its security holders. *The American Economic Review*, *68*(3), 272–284.
7. Fama, E. F. (1991). Efficient capital markets: II. *The Journal of Finance*, *46*(5), 1575–1617.
8. Fama, E. F. (1995). Random Walks in Stock Market Prices. *Financial Analysts Journal*, *51*(1), 75–80. https://doi.org/10.2469/faj.v51.n1.1861
9. Garman, M. B. (1976). Market microstructure. *Journal of Financial Economics*, *3*(3), 257–275.
10. Jensen, M. C., & Meckling, W. H. (2019). Theory of the firm: Managerial behavior, agency costs and ownership structure. In *Corporate governance* (pp. 77–132). Gower. https://www.taylorfrancis.com/chapters/edit/10.4324/9781315191157-9/theory-firm-managerial-behavior-agency-costs-ownership-structure-michael-jensen-william-meckling
11. Madhavan, A. (2000). Market microstructure: A survey. *Journal of Financial Markets*, *3*(3), 205–258.
12. Malkiel, B. G. (2003). The efficient market hypothesis and its critics. *Journal of Economic Perspectives*, *17*(1), 59–82.
13. Markowitz, H. M. (1991). Foundations of portfolio theory. *The Journal of Finance*, *46*(2), 469–477.
14. Merton, R. C. (1974). On the pricing of corporate debt: The risk structure of interest rates. *The Journal of Finance*, *29*(2), 449–470.
15. Modigliani, F., & Miller, M. H. (1958). The cost of capital, corporation finance and the theory of investment. *The American Economic Review*, *48*(3), 261–297.
16. Modigliani, F., & Miller, M. H. (1963). Corporate income taxes and the cost of capital: A correction. *The American Economic Review*, *53*(3), 433–443.
17. Rock, K. (1986). Why new issues are underpriced. *Journal of Financial Economics*, *15*(1–2), 187–212.
18. Scholtens, B., & Van Wensveen, D. (2000). A critique on the theory of financial intermediation. *Journal of Banking & Finance*, *24*(8), 1243–1251.
19. Sharpe, W. F. (1964). CAPITAL ASSET PRICES: A THEORY OF MARKET EQUILIBRIUM UNDER CONDITIONS OF RISK*. *The Journal of Finance*, *19*(3), 425–442. https://doi.org/10.1111/j.1540-6261.1964.tb02865.x
20. Shleifer, A., & Vishny, R. W. (1997). A Survey of Corporate Governance. *The Journal of Finance*, *52*(2), 737–783. https://doi.org/10.1111/j.1540-6261.1997.tb04820.x

21. Williamson, O. E. (1988). Corporate Finance and Corporate Governance. *The Journal of Finance*, *43*(3), 567–591. https://doi.org/10.1111/j.1540-6261.1988.tb04592.x