CORPORATE FINANCE THEORY
(24 **Hours***)*

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DEPARTMENT: Finance, HEC

SYNOPSIS

We study how informational frictions generate deviations from the Modigliani & Miller financial structure irrelevance theorem. We will study the incentive properties of different financing tools, such as debt or equity, and how and whether firms can use them to overcome credit rationing and financial constraints.

COURSE OVERVIEW, KEY TOPICS AND LEARNING OUTCOMES

We will focus on moral hazard (hidden action) and adverse selection (hidden information) and study how to optimally design financial contracts to mitigate these frictions. We will start from the simplest possible model (one period, two outcomes), and progressively move to richer models (first two period, then fully dynamic). We will rely on a combination of games played in class, lectures, and students' presentations of recent research papers. We will emphasize the intuitions, especially thanks to the games played in class. We will also relate the theoretical analyses to empirical investigations, ranging from descriptive, to diff in diff, and structural estimations.

ASSESSMENT

Grades will be based on class participation, paper presentations and a final exam.

AUDITING

☒ Accepted
Attendance to all classes required