

EMPIRICAL METHODS IN CORPORATE FINANCE AND ACCOUNTING

2010 - 2011

Lecturer: Eric de Bodt (eric.debodt@univ-lille2.fr – www.edebodt.net)

The “Empirical Methods in Finance” lecture is an integral part of the MASTER program organized by the “Faculté de Finance, Banque, Comptabilité” of Lille 2

• GOALS

The lecture aims to cover a set of methods classically used in empirical research in Finance. The field is such broad however that it would be out of reach to pretend to be exhaustive. Moreover, the possibility to quickly move towards more advanced techniques will depend on the students’ background.

This year, the lecture will focus on the Event Study Methodology and its application in the M&A field. An emphasis will be put on a practical mastering of the Gauss Econometric software and the Datastream Database.

• LEARNING APPROACHES

Classes will be organized around four kinds of activities:

- teacher presentations;
- applications on real datasets using Gauss;
- student own personal research work;

Teaching notes and other materials are available on www.edebodt.net : this is the teacher personal web site where many pedagogic notes, datasets, references,... are freely available. The main references will be:

- books
 - Campbell J., Lo A. & A.C. MacKinlay, "The Econometrics of Financial Markets", Princeton University Press
 - Eckbo, Espen (Editor), 2007, “Handbook of Corporate Finance: Empirical Corporate Finance Vol. 1”, in the North Holland Handbooks in Finance, Elsevier Science
 - Greene W.H., "Econometric Analysis", 5^{ed}, Prentice Hall, 2002

- Roncalli Th., "Introduction à la programmation sous Gauss", Ritme Informatique, 1995
- Weston F., M. Mitchell and H. Mulherin, 2003, Takeovers, Restructuring, and Corporate Governance, 4^{ème} édition, Prentice Hall.

Each student will develop his own research project around a common theme, centered on Mergers and Acquisitions.

● TENTATIVE SCHEDULE

1° lecture – Marieke Delanghe – Gauss Econometric Software

References

- Basic Gauss 4.0 User Manual

2° lecture – Marieke Delanghe – Gauss Econometric Software

References

- Basic Gauss 4.0 User Manual

3° lecture – Marieke Delanghe – Gauss Econometric Software

References

- Basic Gauss 4.0 User Manual

4° lecture – Eric de Bodt – Regression and Panel Data Analysis (27/01/2010)

References

- Greene W.H., "Econometric Analysis", 5^{ed}, Prentice Hall, 2002
- Personal notes (www.edebodt.net)

5° lecture – Eric de Bodt – Clustered Standard Errors (3/02/2010)

References

- Petersen, M.A., 2009. Estimating standard errors in finance panel data sets: Comparing approaches. *Review of Financial Studies* 22, 435–480
- Thompson, Samuel B., 2009, Simple Formulas for Standard Errors that Cluster by Both Firm and Time, *Journal of Financial Economics*, forthcoming

6° lecture – Eric de Bodt – The Event Study Methodology (10/02/2010)

7° lecture – Jean-Gabriel Cousin – The Event Study Methodology (17/02/2010)

References

- Kothari, S.P., and Jerold B. Warner, 2007, *Econometrics of Event Studies*, in "Handbook of Corporate Finance: Empirical Corporate Finance Vol. 1 (Editor: B. Espen Eckbo)", 2007, Elsevier Science, pp. 4-36.
- Fama, Eugene F., Lawrence Fisher, Michael C. Jensen, and Richard Roll, 1969, "The adjustment of stock prices to new information", *International Economic Review* 10, 1 (February), 1-21.
- Brown S. and J. Warner, 1985, "Using daily stock returns: The case of event studies", *Journal of Financial Economics* 14, 1 (March), 3-31.
- Salinger, Michael, 1992. Standard errors in event studies, *Journal of Financial and Quantitative Analysis* 27, 39-53.
- Boehmer, Ekkehart, Jim J. Musumeci, and Annette B. Poulsen, 1991, "Event-study methodology under conditions of event induced variance", *Journal of Financial Economics* 30, 253-272.
- Aktas, Nihat, Eric de Bodt et Jean-Gabriel Cousin, 2007, "Event study with a contaminated estimation period", (with E. de Bodt and J.G. Cousin), *Journal of Corporate Finance*, Vol. 13, No. 1, February 2007, pp. 129-145.
- Lyon, John D., Brad M. Barber, and Chih-Ling Tsai, 1999, Improved Methods for Tests of Long-Run Abnormal Stock Returns, *Journal of Finance* 54, 1 (February), 165-201.

**8° lecture— Guest speaker : Nihat Aktas - Introduction to the M&A literature (Part I: Theories of mergers, the takeover process,...)
(10/03/2010)**

References

- Aktas, Nihat, Eric de Bodt and Giorgio Tesolin, 2006, "Regards sur la nouvelle vague de fusions et acquisitions", en collaboration avec E. de Bodt et G. Tesolin, *Problèmes Economiques*, N°2.903, pp. 10–19.
- Jensen, Michael C., 1986, "Agency costs of free cash flow, corporate finance, and takeovers", *American Economic Review* 76, 323–329.
- Manne H.G., 1965, "Mergers and the market for corporate control", *Journal of Political Economy*, Vol. 73, N°2, 110–120.
- Roll, Richard, 1986, "The Hubris hypothesis of corporate takeovers", *Journal of Business* 59, 197–216.
- Shleifer, Andrei and Robert W. Vishny, 1989, "Management entrenchment: The case of manager-specific investments", *Journal of Financial Economics* 25, 123–139.

**9° lecture – Guest speaker: Nihat Aktas - Introduction to the M&A literature (Part II: Regulation of takeover activity, deal process and competition,...)
(17/03/2010)**

References

- Aktas, Nihat, Eric de Bodt, and Richard Roll, 2004, "Market Response to European Regulation of Business Combinations", *Journal of Financial and Quantitative Analysis* 39, 731–758.
- Aktas, Nihat, Eric de Bodt, and Richard Roll, 2007, "Is European M&A regulation protectionist?", *Economic Journal* 117, 1096–1121.

- Aktas, Nihat, Eric de Bodt, and Richard Roll, forthcoming, “Negotiations under the threat of an auction”, Journal of Financial Economics.
- Boone, Audra L., and Harold L. Mulherin, 2007, How are firms sold? Journal of Finance 62, 847–875.
- Eckbo, B. Espen, 1983, “Horizontal mergers, collusion, and stockholder wealth”, Journal of Financial Economics 11, 241–273.
- Eckbo, B. Espen, 1992, “Mergers and the value of antitrust deterrence”, Journal of Finance 47, 1005–1029.

**10° lecture– Eric de Bodt – The Event Study Methodology – Application under Gauss
(24/03/2010)**

• STUDENT EVALUATION

First evaluation: one hour written test (1/3 of evaluation)

Second evaluation: student applied group work, groups of 2 or 3 students (2/3 of evaluation)