

**COURSE: Firm financing & Risk Management**  
**DEPARTMENT: CONTABILIDADE, FINANÇAS E CONTROLE (CFC)**  
**PROGRAM: CMCD AE**  
**SEMESTER AND YEAR: 1th / 2020**  
**CLASS-HOURS:  30 horas ou  15 horas (selecionar)**  
**PROFESSOR: Hsia Hua Sheng**  
**LANGUAGE: English**

### COURSE DESCRIPTION

This course focuses on the theory and practice of financial decision making and risk management within organizations. Among the topics covered are (a) Capital Structure, (b) Ownership and governance, (b) Debt composition, (c) Financial Innovation, and (d) Risk management. Value based management for shareholder will be main concern of this course.

### LEARNING GOALS

The course learning goals are presented in the table below, showing how they contribute to the learning goals related to the objectives of CMCDAE.

GRAU DE CONTRIBUIÇÃO / LEVEL OF CONTRIBUTION *			
Forte / High	Intermediário / Medium	Reduzido / Low	Nenhum / None
●●●	●●○	●○○	○○○

CMCDAE Objectives	Course learning goals	Level of Contribution *
Qualitative research methods	Analyze how the qualitative method can be applied in the study of finance	●○○
Quantitative research methods	Analyze the quantitative techniques most used by researchers in fundamental corporate finance research	●●○
Knowledge of research themes and theory	Analyze Fundamentals of Financing and Risk Management	●●●
Research procedures	Discuss the origin and development of funding theories	●●●
Relevance and innovation in research	Empower students to extend discussion from existing fundamentals	●●●
Development of academic papers	Empower students to elaborate quality literature review, emphasizing language differences and research into different types of literature.	●●●
Outros objetivos da disciplina / Other course learning goals:.....		

The full description of the CMCDAE objectives, and other related information, may be found at <https://rebrand.ly/cmae-eaespp> (masters) e <https://rebrand.ly/cdae-eaespp> (doctorate).

### PREVIOUS KNOWLEDGE REQUIRED, IF APPLICABLE

Corporate Finance cour at Undergraduated level. Berk, J. and DeMarzo, P. (2013). Corporate Finance, 3rd Edition. Pearson. Main topics: Financial analysis; Stocks and bonds (valuation); Investment decision; Capital budgeting & Capital structure

### CONTENT/METHODOLOGY

1. Short Term Financing
2. Equity Financing
3. Debt Financing
4. Ownership
5. Risk Management
6. Corporate Governance

Lectures, exercises and in-class discussion. “Hands-on” Lectures, exercises, and Paper presentation and Cases discussion.

### ASSESSMENT

Presentation (30%)

Mid-Term Exam (30%)

Final Exam (40%)

### BIBLIOGRAPHICAL REFERENCES

Berk e De Marzo, (BD) Corporate Finance: The Core, 3rd Edition. Prentice Hall, 2010

Tirole, Jean. The Theory of Corporate Finance. 2006. Princeton University Press.

### AULA-A-AULA (OPCIONAL) / COURSE SCHEDULE (OPTIONL)

Lec t.	Date	Topic	Paper Reading	Exercises
1		<b>Overview of Corporate Finance</b>	<p>Zingales, Luigi. "In Search Of New Foundations," Journal of Finance, 2000, v55(4,Aug), 1623-1653</p> <p>Graham, John R. &amp; Harvey, Campbell R., 2001. "The theory and practice of corporate finance: evidence from the field," Journal of Financial Economics, vol. 60(2-3), pages 187-243, May.</p> <p>Stultz, R. 2006 GOLBALIZATION, CORPORATE FINANCE, AND THE COST OF CAPITAL, Journal Applied Corporate Finance, Vol: 12 (3)</p>	<p>Tirole Ch 1. Corporate Governance</p> <p><u>(Master Students: Elaborate a literature research paper on corporate ownership. How corporate ownership affect the corporate financing decision? Individual paper: 15 pages )</u></p>
2	25/02/2019	<p><b>Capital Structure in Perfect Markets;</b></p> <p><b>Capital Structure with Debt and Taxes</b></p>	<p>Modigliani, F.; Miller, M. (1958). "The Cost of Capital, Corporation Finance and the Theory of Investment". <i>American Economic Review</i>. 48 (3): 261–297. JSTOR 1809766.</p> <p>Modigliani, F.; Miller, M. (1963). "Corporate income taxes and the cost of capital: a</p>	<p>BD Ch 14 &amp; 15 Problems: All</p> <p>Tirole Ch 2. Corporate Financing: Some Stylized Fact</p>

			<p>correction". <i>American Economic Review</i>. 53 (3): 433–443. JSTOR 1809167.</p> <p>Titman, Sheridan (2002). "The Modigliani and Miller Theorem and the Integration of Financial Markets". <i>Financial Management</i>. 31 (1): 101–115. doi:10.2307/3666323.</p>	
3		<p><b>Capital Structure: Debt and Agency costs and Information Asymmetry</b></p> <p><b>Institutional Theory</b></p>	<p>Jensen; Meckling (1976). Theory of the Firm: managerial behavior, agency cost and ownership structure,. <i>Journal of Financial Economics</i>, 3(4), 61-93</p> <p>Myers, S. The Capital Structure Puzzle, <i>Journal of Finance</i>, V38, I3, 1984</p> <p>Williamson, O. Corporate Finance and Corporate Governance, 1988 <i>The Journal of Finance</i>, Vol; XLII, (3)</p> <p>Jensen, M. 2005. Value Maximization Stakeholder Theory, and the corporate objective function. <i>Journal Applied Corporate Finance</i>.  <a href="https://doi.org/10.1111/j.1745-6622.2001.tb00434.x">https://doi.org/10.1111/j.1745-6622.2001.tb00434.x</a></p>	<p>BD Ch 16: Problems: All</p> <p>(Phd Candidates: Base on the Tirole 3-7, discuss how Agency Costs affect the corporate financing decision? Individual paper: 15 pages )</p>
4		<p><b>Debt Financing &amp;</b></p>	<p>Houston, J. &amp; James, C (1996). Bank Information Monopolies and the Mix of Private and Public Debts Claims. <i>Journal of Finance</i>, 51, 1863-89</p> <p>Barclay, M., Smith, C., 1995. The priority structure of corporate liabilities. <i>Journal of Finance</i> 50, 899-918.</p> <p>Smith, C. &amp; Warner, J. 1979. On Financial Contracting: an Analysis of Bond Covenants. <i>Journal of Financial Economics</i>, 7. P. 117-61</p>	<p>BD Ch 24: problems all</p>

			<p>Stulz, René, M and Johnson, Herb. An Analysis of Secured Debt. <i>Journal of Financial Economics</i>, 1985, 14, pp. 501-521.</p> <p>Goh, J. &amp; Ederington, L. 1993. Is bond rating Downgrade Bad news, good news or no news for stockholders ? <i>Journal of finance</i>, 48, p. 2001-8.</p>	
5	11/03/2019	<p><b>Mid Term</b></p> <p><b>Corporate Financing and Agency Cost: Outside Financing Capacity</b></p>	<p><b>Mid Term</b></p> <p>Fazzari, S. M.; Hubbard, R. G.; Petersen, B. C. Financing Constraints and Corporate Investment. <i>Brookings Papers on Economic Activity</i>, v. 1, 1988, p. 141-195.</p> <p>Almeida, H., M. Campello, and M. Weisbach, 2004. The cash flow sensitivity of cash. <i>Journal of Finance</i> 59, 1777–1804.</p>	<p>Tirole Ch 03: 3.2 The Role of Net Worth: A simple Model of Credit Rationing</p>
6	18/03/2019	<p><b>Payout Policy</b></p>	<p>K. Dewenter and V. Warther, “Dividends, Asymmetric Information, and Agency Conflicts: Evidence from a Comparison of the Dividend Policies of Japanese and U.S. Firms,” <i>Journal of Finance</i> 53 (1998): 879–904</p> <p>A Dittmar, “Why do Firms repurchase stock? <i>Journal of Business</i>, 73, 2000: 331-355</p> <p>F. Allen, A. Bernardo, and I. Welch, “A Theory of Dividends Based on Tax Clienteles,” <i>Journal of Finance</i> 55 (2000): 2499–2536.</p>	<p>BD Ch17: Problem: All (Phd Candidates: Base on the Tirole 1 - 10 discuss how Dividend Policy affect the corporate financing decision? Individual papers 15 pages. )</p>
7	25/03/2019	<p><b>Risk Management</b></p>	<p>Tufano, P., Agency Costs of Corporate Risk Management, <i>Financial Management</i>, Spring 1998, pp 67-75. (Tufano_FM98.pdf)</p> <p>Froot, Kenneth A; Scharfstein, David S and Stein, Jeremy C. Risk Management: Coordinating Corporate Investment and</p>	<p>BD Ch30: Problem: All</p>

			<p>Financing Policies. The Journal of Finance, 1993, Vol. XLVIII, N° 5, pp. 1629-1658.</p> <p>Froot, K. A. Scharfstein, D. S., Stein, J. C., A Framework for Risk Management, Harvard Business Review, 1994, pp91-102, (froot_scharfstein_stein_hbr_94).</p> <p>Stultz, R. 1996. Rethinking Risk Mangement. Journal Applied Corporate Finance. <a href="https://doi.org/10.1111/j.1745-6622.1996.tb00295.x">https://doi.org/10.1111/j.1745-6622.1996.tb00295.x</a></p>	
8	01/04/2019	Corporate Hedge Policy	<p>Nocco, B &amp; Stultz, R. 2006. Enterprise Risk Management Theory and Practice, Journal Applied Corporate Finance. <a href="https://doi.org/10.1111/j.1745-6622.2006.00106.x">https://doi.org/10.1111/j.1745-6622.2006.00106.x</a></p> <p>Guay, Wayne and Kothari, S.P. How Much do Firms Hedge with Derivatives. Journal of Financial and Economics, 2003, Vol. 70, pp. 423-461.</p> <p>Smith, Clifford W. and Stulz, René M. The Determinants of Firms' Hedging Policies. Journal of Financial and Quantitative Analysis, 1985, Vol. 20, N° 4, pp. 391-405.</p>	BD Ch 30 Problems: All
8	08/04/2019	<b>Final Exam</b>		

#### PROFESSOR MINI CV (OPTIONL)

Hsia Hua Sheng is an expert in international corporate finance. He studies risk management, treasury operational management and merger and acquisition and joint ventures equity creation. His focus is commodities business and Latin America. Currently, Mr. Hsia is coordinator of center of international financial management at Getulio Vargas Foundation (FGV-EAESP), part time applied finance professor at FGV and UNIFESP (Federal University of São Paulo) and independent Financial Consultant. He has worked for multinational companies (Citigroup/Citibank and Fibria Pulp and paper) and financial corporations (Banco Maxima and Tarpon Investment Funds), and was technical director and partner of two largest Brazilian financial risk management firms (MAPS and Luz Engenharia Financeira) in Brazil. He was also senior manager at Deloitte Touche Tohmatsu, risk management consulting division. He also

was regional coordinator of Columbia Center of Sustainable Investment of Columbia University in Brazil. Mr. Hsia has published papers in highly ranked finance and International Business reviews and journals. Mr. Hsia is graduated in Economics from the University of Sao Paulo and holds a PhD and MSc. in Business Administration (Finance) from FGV-EAESP and One year visiting scholar at New York University Stern Business School.

#### **OTHER INFORMATION (OPTIONAL)**

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