Course Syllabus: Corporate Governance
2014/2015 Second Module, Fall Semester (November 13 – January 16)

Instructor: Seungjoon Oh Ph.D., Assistant Professor of Finance
Office: 749
Email: sjoonoh@phbs.pku.edu.cn
Course Hours and Classroom: Mon & Thur 1:30-3:20pm, 319
Office Hours: Monday 4:00pm-5:00pm (or by appointment via email)

Course Description:

This course will teach the fundamental theories and practice of corporate governance. This course covers the history of the corporation, boards of directors, the division of profit sharing and various forms of employee ownership and equity ownership among insiders, regulation, shareholder activism, the impact of takeovers and mergers and acquisitions on governance, ethical issues such as conflicts of interest and insider trading, international corporate governance, and policy developments likely to impact the corporation. Class will be a mix of lecture, case and topic discussion.

Class Material:

- Lecture notes, assignments, cases and other useful information will be posted on the course web page.

Prerequisites:

The course presumes that students have taken basic courses in accounting, economics, finance and econometrics before taking this course. Students are required to have completed at least one of the following courses: “Corporate Finance” or “Theoretical Foundations in Corporate Finance”.
Grading: Student grades will be based on the following formula

- Mid-term Exam (12/11): 100
- Final Research Proposal: 100
- Case study discussion questions: 30
- Class participation: 20

Honor Code and Academic Conduct:

As a student you are responsible for upholding academic integrity standards for this course. It is very important for you to be aware of the consequences of cheating, fabrication, facilitation, and plagiarism. For more information on the Code of Academic Integrity or the Student Honor Council, please visit: http://dean.pku.edu.cn/2011xssc/kswgclff_jyb.htm

Final Paper:

Each student should submit a research proposal on a topic selected in consultation with the instructor (no more than 10 double-spaced pages) by the final class session. The paper is to be an original work prepared for this class. Prospective paper topics may also be discussed in the class and distributed by your instructor.

Course Outline and Schedule:

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1-2</td>
<td>Introduction of corporate governance</td>
</tr>
<tr>
<td></td>
<td>• The role and purpose of the corporation</td>
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<td></td>
<td>• Theoretical aspects of corporate governance</td>
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<td></td>
<td>• Agency theory and separation of ownership and control</td>
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Reading List

- Jean Tirole Chapter 1
- Tirole (2001), Corporate Governance, Econometrica
- Larker and Tayan (2011), Seven Myths of Corporate Governance
<table>
<thead>
<tr>
<th>2-3</th>
<th>Shareholders and Shareholder Activism</th>
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<tbody>
<tr>
<td></td>
<td>• Ownership structure and firm performance</td>
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<td>• Market for corporate control</td>
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<td>• Proxy fights and takeover bids</td>
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<td>• Hedge fund activism</td>
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<td>• The role of institutional investors</td>
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</table>

Reading List

- Jean Tirole Chapter 9.2, 10.1 and 10.2
- Shleifer and Vishny (1986), Large Shareholders and Corporate Control, Journal of Political Economy
- Scharfstein (1988), The Disciplinary Role of Takeovers, Review of Economic Studies
- Case Study: TBD

<table>
<thead>
<tr>
<th>3-4</th>
<th>Boards of Directors</th>
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<tbody>
<tr>
<td></td>
<td>• Director and board structure</td>
</tr>
<tr>
<td></td>
<td>• Who are they? Role, fiduciary duties and responsibilities</td>
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<td></td>
<td>• Independent director</td>
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<tr>
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<td>• Sarbanes-Oxley Compliance</td>
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# Reading List

- Case Study: TBD

## 4-5 Management

- Management ownership and firm performance
- Theory of Financial Contracting
- Executive compensation
- Stock options

# Reading List

<table>
<thead>
<tr>
<th>5-6</th>
<th><strong>Controlling Shareholders</strong></th>
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<tbody>
<tr>
<td></td>
<td>• Opportunism by the controlling shareholder</td>
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<td>• Dual-class stock, corporate pyramids, or cross-holdings</td>
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<td>• Family-owned firms and governance</td>
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</table>

**Reading List**

- Jean Tirole Chapter 10.3
- Lucian Bebchuk, Reinier Kraakman and George Triantis (2000), Stock Pyramids, Cross-Ownership, and Dual Class Equity: The Creation and Agency Costs of Separating Control From Cash-Flow Rights, Concentrated Corporate Ownership
- Case Study: TBD

<table>
<thead>
<tr>
<th>6-7</th>
<th><strong>International Corporate Governance</strong></th>
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<tr>
<td></td>
<td>• Cross-Country comparison</td>
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<td>• Cross-country difference vs. Firm-level difference</td>
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<td>• Cross-Border investment by foreign investors</td>
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<td>• Investor protection and home bias</td>
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<td></td>
<td>• Country case study: China</td>
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</tbody>
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**Reading List**

- La Porta et al. (1997) Legal Determinants of External Finance, Journal of
<table>
<thead>
<tr>
<th>7-8</th>
<th>Governance, Political Economy, and Banking</th>
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<tbody>
<tr>
<td></td>
<td>Political economy models of corporate governance arrangements</td>
</tr>
<tr>
<td></td>
<td>Governance, Compensation and Bank Risk-Taking</td>
</tr>
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</table>

**Reading List**

- Behr et al. (2014), Financial Incentives and Loan Officer Behavior, Working Paper
- Case Study: TBD

**8-9 Student Proposal Presentation**

**Additional Reference:**

- Governance Codes
Landmark Legal Cases
    http://scholar.google.com/scholar_case?q=506+A.2d+173&hl=en&as_sdt=2,5&case=16019965849248080126&scilh=0