

PROPOSAL FOR A NEW MASTER OF SCIENCE in FINANCE

**Submitted by
Department of Finance
Lerner College of Business and Economics**

Original Proposal Date: September 11, 2007

Revised Proposal Date: December 11, 2007

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I. DESCRIPTION

The purpose of the Master of Science (MS) in Finance program is to provide students with the theoretical knowledge and practical skills to be innovative, well-informed, and experienced finance professionals. The curriculum is based on the financial theory and empirical methods employed by professionals practicing corporate finance, financial security valuation, financial modeling, portfolio management, financial services management, financial risk management, and corporate governance. In addition, students are expected to leverage the educational opportunities afforded by the Exelon Trading Center and the Weinberg Center for Corporate Governance. As a result, students will obtain training and experience valued by corporations, financial service firms, consulting firms, and government agencies. Additionally, if desired, students may tailor their program to enhance progress through a subsequent doctoral degree program.

II. RATIONALE AND DEMAND

A. Institutional factors.

1. Explain how the proposed program is compatible with the Academic Priorities of the University.

The proposed MS in Finance program supports the Academic Priorities of the University by exploiting the comparative advantages represented by the Weinberg Center for Corporate Governance and the Exelon Training Center. Graduates from this program will fulfill the needs of business for finance professionals with sound knowledge of the theory and practice of finance, educated in a state-of-the-art environment.

2. Describe the planning process which resulted in the development and submission of this proposal.

The Finance Department underwent an Academic Program Review in 2004. During the 2005-2006 academic year, the Department conducted a study on the feasibility for development of graduate programs. As a result, in 2006-2007, an ad-hoc Department Committee developed a proposal for the MS in Finance that was approved by the Department of Finance faculty on April 13, 2007, by the Lerner College Graduate Program Committee on September 11, 2007, and the Lerner College Faculty on September 28, 2007. The proposal was revised to comply with the format required by the University Faculty Senate in December 2007.

3. Describe any significant impact the proposed curricula might have on other instructional, research, or service programs of the University.

The MS in Finance supports the MBA program and the MA/MS and PhD programs in Economics by making a richer set of electives available to the students in those programs.

4. Describe how the proposed curricula would more fully utilize existing resources.

All of the courses for the proposed Master of Science are already offered in the Lerner College. The Department of Finance developed FINC861 Workshop in Financial Economics as the capstone course for the MS in Finance program and has offered it as an experimental course (FINC867) for MS and PHD students in Economics for the past 2 years. FINC861 Workshop in Financial Economics was submitted for the Course Challenge list on November 2, 2007. In addition, the proposed MS program will encourage the development of graduate level educational programming for the Exelon Trading Center and will involve the Weinberg Center for Corporate Governance. A more complete discussion of how the MS in Finance program and the Exelon Trading Center and the Weinberg Center are integrated is contained in Section II.G.1.

B. Student demand

1. Describe how enrollment projections have been derived. Show estimated credit hours to be generated, number of new majors, and number of program graduates. Indicate the extent to which the new curriculum is expected to attract majors and the extent to which it will provide service courses or electives to other majors. Indicate whether new majors will be wholly new to the campus or internal transfers.

Students may enroll in the program on either a full-time or part-time basis and few are expected to transfer from existing programs. Based on the size of similar MS programs and the number of inquiries the Department has received; the expected enrollment in the program is a total of twenty students.

2. State whether the curriculum is designed to meet the needs of specific student clienteles, e.g., part-time students, currently employed professionals, non-traditional students, those preparing to reenter the job market, etc.

Students may complete the program on either a full-time or part-time basis. The 30-credit degree program may be completed in nine months by a full-time student,

admitted in the fall semester with a strong background in finance. The Department is committed to offering enough evening courses that would allow a part-time student who is a currently-employed professional to complete the program in two years.

C. Transferability – Not applicable.

D. Access to graduate and professional programs – Not applicable.

E. Demand and employment factors – Not applicable.

F. Regional, state, and national factors

1. List comparable courses of study in the region or the State, and explain why these existing programs cannot meet the needs of prospective students and/or employers in the geographic area which the curriculum would serve. Describe any significant differences between the proposed course of study and others in the region or State that have some similar characteristics.

There are no other MS in Finance programs offered in the state of Delaware. The nearby institutions that offer MS in Finance programs are in Philadelphia (Drexel University, St. Joseph's University, Temple University and Villanova University) or Baltimore (University of Baltimore, Johns Hopkins University, and Loyola University). Therefore, we expect to draw students from southeastern Pennsylvania, Delaware and Maryland, particularly professionals who will enroll on a part-time basis.

The MS in Finance program at the University of Delaware will fully integrate the resources of the Exelon Trading Center and the Weinberg Center for Corporate Governance. None of the other programs listed have trading or corporate governance centers that offer the scope and depth of the programs available at UD. A more complete discussion of how the Exelon Trading Center and the Weinberg Center for Corporate Governance are integrated with the MS in Finance program is contained in Section II.G.1. A comparison of the curriculum proposed for the MS in Finance at the University of Delaware with the curricula of other MS in Finance programs in the region is contained in Appendix A and Appendix B contains detailed listings of the curricula of the other MS programs in the region.

Tables 1 and 2 show the thesis requirements for other regional MS in Finance programs and the thesis and comprehensive examination requirements for other MS programs in the Lerner College. None of the other regional master's programs require a thesis. Furthermore, thesis and comprehensive examinations are not uniformly required for MS programs in the Lerner College.

Table 1: Thesis Requirements for Regional MS in Finance Programs

University	Degree	Part/ Full time	Program Duration (Full Time)	Thesis Required
Drexel University	MS Finance	NIA ¹	NIA	No
Johns Hopkins University	MS Finance	NIA	NIA	No
Loyola College	MS Finance	Both	1 year	No
Rutgers	Master of Quantitative Finance	Both	2 Years	No
Saint Joseph's University	MS Financial Services	Part-Time	NIA	No
Temple University	MS in Financial Engineering	Both	NIA	No ²
University of Baltimore	MS in Business, specialization in Finance	NIA	NIA	No
University of Delaware	MS Finance	Both	1 year ³	No
Villanova	MS Finance	Full-Time	1 year	No

Common Characteristics

- All programs are offered by college or universities that also offer an MBA with a finance track/specialization
- All programs are generalized degree programs without areas of specialization
- Curricula consist of courses in finance, economics, accounting, and statistics.

¹ No information available.

² Students work on an applied financial engineering project. Projects may be individualized based on internship opportunities.

³ For students with a strong background in finance.

Table 2: Masters of Science Programs in the Lerner College

Department	Degree	Part/ Full time	Program Duration (Full Time)	Credits Required	Thesis Required	Comprehensive Exam Required
Accounting	MS Accounting	Both	1 year ¹	30 credits	No	No
	MS Information Systems and Technology Management	Both	2 years	36 credits	No	No
Business Administration	MS Organizational Effectiveness, Development and Change	Both	12-18 months	36 credits	Yes ²	Yes
Economics	MA/MS Economics	Both	1-2 years	30/33 Credits	Yes ³	Yes
Finance	MS Finance	Both	1 year ⁴	30 credits	No	No

¹ For students with an undergraduate accounting major from an accredited AACSB institution

² Thesis or professional project

³ The students have an option of completing a 3-credit research paper or a 6-credit thesis

⁴ For students with a strong background in finance

The proposed MS in Finance requires a capstone course as the culminating educational experience: FINC861 Workshop in Financial Economics. This seminar course covers the foundation-level theoretical concepts that should be mastered by each student, regardless of their expected career path. These concepts include the valuation of assets, securities, and projects; the relation between risk and return; an understanding of primary capital markets (commercial and investment banks, venture capital, etc.) and secondary capital markets (e.g. the New York Stock Exchange and NASDAQ); the valuation of derivative contracts such as options and futures; the structure of a firm's financing; and financial contracting under asymmetric and incomplete information. The students are required to demonstrate their competence by completing a research paper and presenting it in class. Students' performance in this course is a major component of our assessment criteria. The syllabus and reading list for this class is in Appendix C: Syllabus for MS in Finance Capstone Course.

2. Describe the regional accrediting, professional association, and licensing requirements that have helped shape the proposed curriculum. Indicate the effects such agencies have had on the length, content or mode delivery, and on such budgetary requirements as staffing levels, equipment needs, and facilities. Also, describe the participation of any non-campus person or organization in the development of this proposal. Report on timetables that have been established to meet any external requirements.

The Lerner College of Business is accredited by the Association to Advance Collegiate Schools of Business (AACSB) International. The AACSB International accreditation criteria that pertain to specialized programs in business are detailed in Appendix D. The curriculum is designed to surpass these requirements. The requirements and the assessment methods are discussed in Section VII.B.

G. Describe other strengths

1. Describe any special features which convey the character or personality and make the proposed course of study distinctive. (Examples might include the interest and special expertise of certain faculty members, the location and availability of unique materials or technologies at or near the campus, special relationships to other departments, organizations, or institutions, etc.)

Exelon Trading Center

The Exelon Trading Center is a leading-edge discovery-based learning facility. Using the Center, and working with UD faculty, the MS in Finance students will be able to participate in hands-on market simulations, portfolio construction and risk management. Through our

partnership with Exelon, students in the MS in Finance program will learn risk management and trading techniques using energy derivatives. The Center features an advanced simulated trading room with financial markets applications, real-time market data, accounting databases, information systems tools and applications for market research.

Weinberg Center for Corporate Governance

The purpose of the Weinberg Center for Corporate Governance is to propose progressive changes in corporate structure and management through education and interaction. The Center provides a forum for business leaders, members of corporate boards, the legal community, academics, practitioners, graduate and undergraduate students, and others interested in corporate governance issues to meet, interact, learn and teach. The students in the MS in Finance program will have full access to the seminars and educational opportunities provided by the Center.

2. Report on any anticipated collaborative arrangements with other parties (for example, inter-institutional arrangements for resource sharing, cooperative programs, clinical affiliations, etc.). The extent of the relationship should be explained and instructional or other resources to be provided by the various parties described. Any written confirmation of the commitment, including drafts of contracts or agreements, should be attached.

- Not applicable.

III. ENROLLMENT, ADMISSIONS AND FINANCIAL AID

A. Enrollment

If enrollments are to be limited, e.g., by size, by pre-requisites, or by academic performance, describe the restrictions and the reasons for them. Be sure to indicate the effective academic year. A letter of support from the Admissions Office for undergraduate programs or Office of Graduate Studies will also be helpful in projecting enrollments for the proposed program.

The Department expects that in steady state the MS in Finance program will enroll approximately 20 students. We have estimated that with our current level of resources we could accommodate up to 30 students.

B. Admission Requirements

1. Describe the criteria for selecting among applicants.

Qualified applicants for admission in the MS in Finance program must:

- Supply all information required by the University for admission to a graduate program as stated in the University of Delaware Catalog.
- Hold the equivalent of a 4-year U.S. Bachelor's Degree from an accredited college or university.
- Submit a Graduate Admission Application and official transcripts of all previous academic work
- Submit official results of the Graduate Records Examination (GRE) or the Graduate Management Admissions Test (GMAT).
- Submit a resume and application essays on the following topics:
 - What are your career objectives and how will an MS in Finance help you achieve your goals?
 - Describe a particular challenging experience, and how you handled that experience.
 - Describe any special circumstances related to your academic record that you think the admissions committee should consider.
- Submit three letters of recommendation from faculty and/or employers.

For applicants whose native language is not English, the University requires an official paper-based Test of English as a Foreign Language (TOEFL) score of at least 550, at least 213 on the computer-based TOEFL, or at least 79 on the Internet-based TOEFL for an applicant to be considered for admission. This requirement may be waived if the student has earned a degree from an accredited educational institution in which English is the primary instructional language.

Applicants need not have majored in any specific undergraduate field. The following should be considered as *preferred minimum levels* for admission:

- Strong written and oral communication skills
- Undergraduate GPA of 2.75 (on a 4.0 scale), with a 3.0 in their major
- A combined score of 1050 on the verbal and quantitative portions of the GRE or score at or above the 55th percentile on the GMAT.

Incoming students are expected to understand the fundamentals of finance and accounting concepts as presented in FINC850 Financial Management and ACCT800 Financial Reporting and Analysis, have basic computer skills equivalent to those taught in ACCT 160 Introduction to Business Information Systems I and have taken the college level equivalents to MATH 221 Calculus and MATH 230 Finite Mathematics with Applications. The admissions committee will examine each accepted applicant's transcripts and work experience to determine if these

prerequisites have been satisfied. Students deficient in any of the admission requirements or pre-requisites may be admitted on provisional status and be required to complete non-degree credit coursework. Such determination is made by the MS in Finance Program Committee.

Admission to the graduate program is competitive. Those who meet stated requirements are not guaranteed admission, nor are those who fail to meet all of those requirements necessarily precluded from admission if they offer other appropriate strengths. Admission decisions are made by the MS in Finance Program Committee and are based upon a number of factors, including the applicant's GMAT or GRE scores, college transcripts, application essays and letters of recommendation.

Admissions will occur on a rolling basis, so early application may improve chances for admission and financial assistance, if applicable. While the published application deadline for the fall semester is May 1st, applications are accepted after that date. Applications can be submitted before taking the GRE or GMAT. Please indicate on your application the scheduled date of your GRE or GMAT exam. However, late exam submission will delay application processing and the admission decision.

Every applicant who has accepted admission must submit a \$200 non-refundable deposit by the deadline stated in the acceptance letter to secure a place in the MS in Finance program.

Admission on Provisional Status

- Students deficient in any of the admission requirements or pre-requisites may be admitted on provisional status and be required to complete non-degree credit coursework. Such determination is made by the MS in Finance Program Committee.
- Students admitted on provisional status will be notified in writing by the MS in Finance Program Committee in their acceptance letter of the requirements that need to be met for obtaining regular status in the program.
- Students admitted on provisional status may be required to complete course work that will not count towards the degree and this course work may be required to be completed before the student can take courses that satisfy degree requirements.
- Students admitted on provisional status may be required to pass proficiency tests as a condition for obtaining regular status in the program.

- For provisional status to be lifted, the student must petition the MS in Finance Program Committee in writing stating how they have satisfied the requirements for obtaining regular status. Lifting of provisional status is determined by the MS in Finance Program Committee and a student admitted on provisional status remains on provisional status until they have been notified in writing by the MS in Finance Program Committee that they have met the requirements for regular status.
- A student cannot be granted a degree while on provisional status.

2. Distinguish, if necessary, selection criteria between freshman, transfers from other institutions and transfers from within the University.

– Not applicable.

3. Attach any Retention Policy that might apply and provide rationale for this policy.

- Not applicable.

C. Student Expenses and Financial Aid

Indicate the need for any required student expenses beyond the traditional book and supplies, for example, personal computer, extensive laboratory fees, etc. For Graduate and professional courses of study, indicate anticipated levels of student financial support to be provided from (a) institutional and (b) other sources.

Students would benefit from having their own personal computer, but the computer labs and Exelon Trading Center will be available for student use. Therefore, a personal computer is not required.

Students wishing to be considered for financial aid should so indicate on their application for admission. Students may also apply for financial aid after being accepted to the program. Conditional on funding, students may be selected for merit-based financial awards by the MS in Finance Committee. Students may be selected as research and/or teaching assistants for faculty. Conditional on funding, support for a student may last up to 2 years as long as progress toward the degree is satisfactory

Students are encouraged to explore external funding opportunities through their employers or through other granting agencies.

Full-time students will be encouraged to apply for competitive awards for graduate study available at the University. Part-time students will be working professionals whose employers may provide tuition assistance.

IV. CURRICULUM SPECIFICS

A. Institutional Factors

State the degree to be awarded to those who complete the program and explain why this is the appropriate form of recognition.

Master of Science in Finance

This course of study conforms to the standards set by the field of Finance and the major accreditation body for business education, AACSB International, for a master's degree in a specialized field (Appendix D: AACSB International Accreditation Criteria).

B. Describe the curriculum

1. Describe requirements involving total credit hours, credit hour distribution, field experiences, etc.

Program of Study

A minimum of 30 credits is required for the Master of Science degree. Degree candidates are required to have a program of study approved by the MS in Finance Program Director prior to matriculation. The program of study consists of the list of the courses the student intends to take to satisfy the MS in Finance degree requirements. Any revisions in the program of study must be approved by the MS in Finance Program Director prior to the student registering for courses not previously approved in their program of study.

Capstone Course

FINC861 Workshop in Financial Economics is the capstone course for the MS in Finance. This seminar course covers the foundation-level theoretical concepts that should be mastered by each student, regardless of their expected career path. These concepts include the valuation of assets, securities, and projects; the relation between risk and return; an understanding of primary capital markets (commercial and investment banks, venture capital, etc.) and secondary capital markets (e.g. the New York Stock Exchange and NASDAQ); the valuation of derivative contracts such as options and futures; the structure of a firm's financing; and financial contracting under asymmetric and incomplete information. The students are required to demonstrate their competence by completing a research paper and presenting it in class.

Prerequisites

- Undergraduate calculus equivalent to MATH 221 Calculus and MATH 230 Finite Mathematics with Applications
- Basic computer skills equivalent to ACCT 160 Introduction to Business Information Systems I
- Understanding of fundamental finance and accounting concepts as presented in FINC850 Financial Management and ACCT 800 Financial Reporting and Analysis.

Required Courses

Finance Core - 12 credits:

	Credits
FINC851 Corporate Financial Analysis	3
FINC852 Investment Analysis & Portfolio Management	3
FINC855 Financial Institutions & Markets	3
FINC861 Workshop in Financial Economics	3

Skills Core - 6 credits:

	Credits
ECON822 Econometric Theory	3
ACCT820 Financial Statement Analysis	3

Electives - 12 credits, with a minimum of 6 credits in FINC courses:

Students may choose courses from the following list but are not limited to courses on the list. Other courses may be used towards the degree requirements if submitted as part of the student's program of study and approved by the MS in Finance Program Director prior to registration in the course. The MS in Finance Program Director will decide on whether a particular variation from the stated degree requirements is allowed.

For elective courses offered outside the Department of Finance, students will have to meet all listed prerequisites or receive approval from the instructor.

	Credits
FINC853 International Financial Management	3
FINC854 Special Topics in Finance	3
FINC856 Financial Engineering and Risk Management	3
FINC858 Corporate Governance	3
FINC859 Seminar in Finance	3
ECON801 Microeconomic Theory	3

ECON802	Macroeconomic Theory	3
ECON815	Managerial Forecasting	3
ECON819	Economics of Information	3
ECON823	Seminar in Econometrics	3
ECON824	Topics in Advanced Econometrics	3
ECON825	Time-Series Econometrics	3
ECON852	Monetary Economics	3
ACCT614	Federal Tax Research and Planning	3

Credit Summary:

Required Core Finance Classes	12
Required Skill Classes	6
Elective Classes	<u>12</u>
Total Credits	30

2. Provide a sample curriculum by following the format in the Undergraduate and Graduate Catalog.

Sample Full-time Program	Sample Part-time Program
Year 1 - Fall	
FINC 851 Corporate Financial Analysis	FINC 852 Investment Analysis & Portfolio Management
FINC 852 Investment Analysis & Portfolio Management	ECON 822 Econometric Theory
ECON 822 Econometric Theory	
ACCT 820 Financial Statement Analysis	
Year 1 - Winter	
Elective 1	FINC 851 Corporate Financial Analysis
Elective 2	Elective 1
Year 1 - Spring	
FINC 855 Financial Institutions & Markets	FINC 855 Financial Institutions & Markets
FINC 861 Workshop in Financial Economics	
Elective 3	Elective 3
Elective 4	
Year 2- Fall	
	ACCT 820 Financial Statement Analysis
	Elective 2
Year 2 - Spring	
	FINC 861 Workshop in Financial Economics
	Elective 4

3. Indicate how the curriculum satisfies University of Delaware, college and departmental requirements, such as ENGL110, multicultural, college core, etc.

– Not applicable.

4. In the Appendices, provide approval from affected departments for all newly required courses that support the proposed curriculum.

See Appendix E: Coordination Letters from Affected Departments.

V. RESOURCES AVAILABLE

A. Learning Resources

Describe briefly the scope and quality of available library holdings, audio-visual materials, special equipment and collections, laboratories, clinical facilities, research facilities, etc., that are available and would directly support the proposed course of study. If appropriate, obtain a Library Assessment Statement.

Please see Appendix F.

B. Faculty / Administrative Resources

Describe the available program administrators and faculty expertise which support the proposed curriculum. List name, rank, specialization, nature of appointment (regular, full-time, adjunct, etc.) and highest academic degree earned by those who would be directly involved, including campus administrators. If appropriate, provide pertinent information about the professional and scholarly accomplishments, including training, courses and workshops taught, publications and projects, and other relevant documentation of the faculty.

The Department of Finance has thirteen full-time faculty: six full professors, 4 associate professors, 2 assistant professors and 1 full-time instructor. Information on the faculty that will regularly teach and interact with students in MS in Finance program is listed below. All hold terminal degrees and are active researchers. With the exception of the two assistant professor, who were hired this year, all have extensive experience teaching graduate students. Most have taught courses that will be required for the MS in Finance program within the last academic year.

Helen M. Bowers, Associate Professor

Ph.D. - University of South Carolina, Finance, 1987

Research Interests

Mergers and Acquisitions, Fairness Opinions, Corporate Governance

Teaching Interests

Corporate Finance, Valuation

Selected Publications

"Reducing Compensation Expense: Valuing Options in Light of SFAS No. 123R," (with Jane Storero and Tara Stephenson), *Employee Benefit Plan Review*, November 2006.

Fairness Opinions and the Business Judgment Rule: An Empirical Investigation of Target Firms' Use of Fairness Opinions," *Northwestern University Law Review*, 2002, pp. 567-578.

"A Visible Hand: The Regulation of Australian Financial Services," Chapter in Research in International Business and Finance, Lance Nail, ed., 2001, pp. 195-224.

Terry L. Campbell, Associate Professor

Ph.D. - The Pennsylvania State University, Financial Economics, 1998

Research Interests

Corporate Governance, International Finance, Corporate Finance

Teaching Interests

International Finance, Financial Markets, Financial Management

Selected Publications:

"Venture Capitalist Involvement and the Long-term Performance of IPOs" (with M. Frye), 2006. *Journal of Private Equity* 10 7-17.

"Incentive Compensation For Bank Directors: The Impact of Deregulation" (with D. Becher and M. Frye), 2005. *Journal of Business* 78 1753-1777.

"Corporate Governance of Japanese Banks" (with C. Anderson), 2004. *Journal of Corporate Finance* 10 327-354. (lead article)

David C. Cicero, Assistant Professor and Research Fellow, Weinberg Center for Corporate Governance

J.D. - University of Virginia

Research Interests

Corporate Governance, Corporate Finance

Teaching Interests

Corporate Governance, Financial Markets

Jay F. Coughenour, Associate Professor and Department Chair

Ph.D., Arizona State University, Finance, 1995

Research Interests

Market Microstructure, Investments

Teaching Interests

Investments, Derivatives and Risk Management, Corporate Finance

Selected Publications

"Limited Attention and the Allocation of Effort in Securities Trading,"
with Shane Corwin, forthcoming, Journal of Finance, 2007.

"Common Market Makers and Commonality in Liquidity," with Mohsen
Saad, Journal of Financial Economics, 2004, 73, 37-70.

"Liquidity Provision and the Organizational Form of NYSE Specialist
Firms" with Dan Deli, Journal of Finance, 2002, 57, 841-870.

**Charles Elson, Woolard Professor & Director, Weinberg Center for
Corporate Governance**

J.D. - University of Virginia

Fields of expertise

Corporations, Securities Regulation and Corporate Governance

Selected Publications

"The Answer to Excessive Executive Compensation is Risk, Not the
Market, JOURNAL OF BUSINESS & TECHNOLOGY LAW, University of
Maryland School of Law, Vol 2, No. 2, 2007

"The Changing Delaware Landscape," Corporate Governance Advisor,
May/June 2007

"A New Judicial Perspective," Directorship, June/July 2007

M. Andrew Fields, Associate Professor

Ph.D. - Virginia Tech, 1982

Research Interests

Corporate Governance, Mergers and Acquisitions, International
Finance

Teaching Interests

Corporate Finance, Analysis of Financial Information, Capital
Investment and Financing Decisions

Selected Publications

"Financial Distress, Liquidity Policy, and Financial Policy: A Comparison
of Korea and the United States" (with H.Y. Lee), Journal of Finance
and Banking, 2, 2003 pp. 159-177.

"The Impact of Interstate Banking Legislation on Target and Buyer Bank
Stock Returns" (with H. A. Black and R. Schweitzer), Managerial
Finance, Vol. 22:7,1996, pp. 24-42.

"Finance and the Regulatory Environment, - An Introduction,"
Managerial Finance, 1996.

Jeffrey Harris, Professor

Commodities and Futures Trading Commission, Chief Economist

Ph.D. - The Ohio State University, Major: Business Administration, Finance, 1995

Research Interests

Market Microstructure & Equities Trading, IPOs and Investor Behavior

Teaching Interests

Investment Analysis, Risk Management

Selected Publications

"Tick Size, Market Structure and Trading Costs" with William G. Christie and Eugene Kandel, 2007, forthcoming book chapter.

"Why are IPO Investors Net Buyers through Lead Underwriters, with John M. Griffin and Selim Topaloglu, forthcoming at the *Journal of Financial Economics* 2007.

"How New Entry in Options Markets affected Market Making and Trading Costs" with Patrick DeFontnouvelle and Raymond P.H. Fishe, 2005, *Journal of Investment Management* 3, 24-40.

Paul Laux, Professor

Ph.D. - Vanderbilt University, 1988

Research Interests

Corporate Finance, Market Microstructure, Financial Markets

Teaching Interests

Corporate Governance, Investments, Managerial Finance

Selected Publications

"Corporate Governance, Idiosyncratic Risk and Information Flow," with M. Ferreira, forthcoming in 2007, *The Journal of Finance*

"Misreaction" with C.N.V. Krishnan, *Journal of Financial & Quantitative Analysis* 40: 2, June 2005, 403-435.

"The Information Content of Corporate Investment Announcements: The Case of Joint Ventures," with A. Keown and J. Martin, *Research in Finance*, 22, Fall 2005.

Xiaoxia Lou, Assistant Professor

Ph.D. University of Washington, Finance, 2007

Teaching Interests

Investments, Corporate Finance

Research Interests

Investments, Liquidity

Selected Publications:

"The Divergence of Liquidity Commonality in the Cross-section of Stocks," with Avraham Kamara and Ronnie Sadka, *Journal of Financial Economics*, forthcoming.

Robert L. Schweitzer, The Donald J. Puglisi Professor of Finance

Ph.D. Duke University, Finance, 1975

Teaching Interests

Financial Institutions, Financial Management, Management and Regulation

Research Interests

Bank Structure and Competition, Money and Capital Market Issues

Selected Publications:

"Do CRA Protest Announcements Affect Shareholder Wealth?" The Case of Bank Mergers," Financial Review, November 2005, with H. Black, R. Bostic, and B. Robinson.

"Is Race an Important Factor in Bank-Customer Preferences?" The Case of Mortgage Lending, Journal of Real Estate Finance and Economics, Vol. 26, No. 1, 2002, with Harold A. Black, Breck Robinson, and Alan Schlottman.

"Do Lenders Discriminate Against Low Income Borrowers?" Review of Black Political Economy, Spring 2002, with H. Black and B. Robinson.

Raj Varma, Professor

Ph.D. The Pennsylvania State University, Finance, 1987

Teaching Interests

Corporate finance, Corporate financial analysis, Mergers & Acquisitions

Research Interests

Raising Capital, Financial Institutions, and Corporate Governance and Control

Selected Publications:

"Institutional Investors As Suppliers of Equity-Linked Capital: Evidence From Privately Placed Convertible Debt," (with Dalia Marciukaityte), *Journal of Business Research*, Volume 60, 2007, pp. 357-364.

"Governance and Performance Changes following Accusations of Corporate Fraud," (with Dalia Marciukaityte, Samuel Szewczyk and Hatice Uzun), *Financial Analysts Journal*, Volume 62, 2006, pp. 32-43.

"Investor Overoptimism and Private Equity Placements," (with Dalia Marciukaityte and Samuel Szewczyk), *Journal of Financial Research*, Volume 28, 2005, pp. 591-608.

C. External Funding

Indicate any resource or source of funding external to the University which has been garnered to support the curriculum.

– Not applicable.

VI. RESOURCES REQUIRED

A. Learning Resources

Identify needed additional learning resources. Indicate which of these are essential for basic implementation and whose which will produce a premiere program able to compete favorably for the highest caliber of student.

Upon the completion of the Exelon Trading Lab, scheduled for January 2008, the Department will have a state of the art learning facility with an advanced simulated trading room with financial markets applications, real-time market data, accounting databases, information system tools, and market research applications.

B. Personnel Resources

Indicate any new faculty positions required and the qualifications and subject matter specialties that will be sought. Give reasons for needing new position.

– Not applicable.

C. Budgetary Needs

The program, as stated, can be provided with the current Department Faculty without altering the size of faculty regular teaching workloads.

The program requires one additional course: FINC861 Workshop in Financial Economics. This course has been offered as an experimental course (FINC867) for the past 2 years and was submitted for the Course Challenge list on November 2, 2007.

It is expected that the MS in Finance Program Director will require a reduction of one course from their workload in order to allow for effort directed toward the MS in Finance program. This may result in an additional S-contract to cover the current portfolio of courses provided by the Department.

There are sufficient staff resources available in the department to support the MS in Finance program and \$7,500 has been provided for promotional materials for the program from department discretionary funds.

Students are encouraged to explore external funding opportunities through their employers or through other granting agencies. Full-time students will be encouraged to apply for competitive awards for graduate study available at the

University. However, we expect that full-time students in the 9-month program will be self-funded because they will not have the time to attend courses while fulfilling the obligations for research or teaching assistantships. Part-time students will be working professionals whose employers may provide tuition assistance.

VII. IMPLEMENTATION AND EVALUATION

A. Implementation Plan

Describe how the curriculum will be implemented.

The implementation of the MS in Finance program is relatively simple because all of the courses required for the proposed MS in Finance are already offered in the Lerner College. The only new course FINC861: Workshop in Financial Economics has been offered as an experimental course for the past two years and was submitted for the Course Challenge list on November 2, 2007. The Finance Department appointed a Director of the proposed program during the Fall semester of 2007 in the hope that the MS in Finance would be approved during the Spring semester of 2008. All of the courses in the proposed MS in Finance curriculum will be offered during the 2008-2009 academic year. The Exelon Trading Center is due to open in January 2008 and a search process is underway for a full-time director to begin in Fall 2008. During the Spring semester of 2008 the faculty will undergo training in how to access the data and use the software applications available in the Trading Center. The faculty are expected to integrate the resources available in the Trading Center in their courses in Fall 2008.

B. Assessment Plan

Indicate how the program will be evaluated and assessed. Some measures should be quantitative, others qualitative. Success should be measured against the criteria listed including stated learning outcomes and against whatever objectives have been set forth in the first section of the proposal. Academic units are encouraged to consult with the Office of Educational Assessment in developing the appropriate learning outcomes, assessment criteria, and benchmarks for success.

In addition to the Middle States Accreditation assessment criteria, the MS in Finance program will be subject to the assessment criteria for accreditation by the AACSB. According to the AACSB (See Appendix D: AACSB International Accreditation Criteria)

The level of knowledge represented by the students of a specialized master's level program is the:

- *Application of knowledge even in new and unfamiliar circumstances through a conceptual understanding of the specialization.*
- *Ability to adapt and innovate to solve problems.*
- *Capacity to critically analyze and question knowledge claims in the specialized discipline.*

The following learning outcomes have been developed to achieve this level of knowledge.

Learning Outcome 1

MS in Finance graduates should have broad knowledge of financial economic theory.

Assessment for Learning Outcome 1

All of the four required finance courses: FINC851 Corporate Financial Analysis, FINC852 Investment Analysis & Portfolio Management, FINC855 Financial Institutions & Markets, and FINC861 Workshop in Financial Economics have significant theoretical components (FINC861 Workshop in Financial Economics is predominately theory and advanced empirical analysis). These four courses span the major functional areas of financial economics. Other courses with a significant theoretical component are: FINC859 Seminar in Finance, ECON801 Microeconomic Theory, ECON802 Macroeconomic Theory, ECON819 Economics of Information, and ECON852 Monetary Economics. Performance on the examinations in the capstone course, FINC861 Financial Economics Workshop, will be the main assessment criterion for ascertaining the students' knowledge of finance theory. The second assessment will be how well they integrate theory in their research papers required in the Financial Economics Workshop.

Learning Outcome 2

MS in Finance students should process the practical skills to be innovative finance professionals.

Assessment for Learning Outcome 2

Students will acquire practical skill using the Exelon trading lab, in the required courses and in elective courses. In addition to the Core Skills courses, ECON822 Econometric Theory and ACCT820 Financial Statement Analysis, other key courses

for evaluating students' skills development are: FINC855 Financial Institutions & Markets, FINC856 Financial Engineering and Risk Management, ECON815 Managerial Forecasting, ECON823 Seminar in Econometrics, ECON824 Topics in Advanced Econometrics, ECON825 Time-Series Econometrics and ACCT614 Federal Tax Research and Planning. Performance on projects and examinations in these courses will be used to assess how well students are developing practical skills used by finance professionals. Second, the job placement of our graduates will also be an indicator of their practical skill level.

Learning Outcome 3

MS in Finance graduates should be able to articulate and present advanced concepts in financial economics.

Assessment of Learning Outcome 3

Students will have ample opportunity to develop their presentation skills. Of the required courses: FINC851 Corporate Financial Analysis, FINC852 Investment Analysis & Portfolio Management and FINC861 Workshop in Financial Economics require classroom presentations. Elective courses that require classroom presentations include: FINC854 Special Topics in Finance, FINC858 Corporate Governance and ACCT614 Federal Tax Research and Planning. The quality of their presentations in FINC861 Workshop in Financial Economics will be the main method of assessing their ability to present advanced topics. However, as a secondary measure, feedback will be solicited from the students on both the progress they have made in their own ability to present and on the presentation skills of their peers.

Appendix A: Summary of Curricula of Regional MS in Finance Programs

	Delaware	Drexel ¹	Johns Hopkins	Loyola	Rutgers ²	Saint Joseph's ³	Temple ⁴	Villanova
Required courses	6	7	7	6	13	3	6	11
Elective courses	4	3	5	4	3	7	4	0
Total Number of Courses for the MS Degree	10	10	12	10	16	10	10	11
<u>Required Courses by Area</u>								
Corporate Finance	1	1	2	1	1	1	2	1
Investments/Portfolio Management	1	1	2	2	1	1	1	2
Financial Institutions/Markets	1	1		1	1	1	1	1
Risk Management/Derivatives					1		1	2
Statistics/Econometrics/Mathematics of Finance	1	1			5			2
Managerial Economics		1	1		1			
Financial Accounting	1	1						
Seminar in Financial Theory	1	1						1
Business and Government								
Financial Statement Analysis			1					
Financial Modeling/Valuation			1	1	2			2
International Finance				1			1	
Career Planning								
Object Oriented Programming					1			

¹ Drexel University operates on the trimester system. The trimester credits have been converted to their 3-credit semester equivalents.

² Master of Quantitative Finance

³ Master of Science in Financial Services

⁴ Master of Financial Engineering

Appendix B: Curricula of Regional Master of Science in Finance Programs

DREXEL UNIVERSITY

Master of Science in Finance

No requirement for project or master's thesis.

REQUIRED COURSES	ELECTIVE COURSES
<i>Core courses:</i>	Asset Valuation and Income Recognition
Business Statistics	Liability and Equity Valuation
Decision Sciences II	Special Topics in Business Law
Managerial Economics	Microeconomics I
Managerial Accounting	Macroeconomics
	Investment Management
<i>Required Enterprise Management Sequence:</i>	Entrepreneurial Finance
Measuring and Maximizing Financial Performance	Mergers and Acquisitions
Essentials of Economics	International Financial Management
	Comparative Financial Analysis
<i>Required Finance Courses:</i>	Derivatives
Corporate Financial Management	Management Information Systems
Financial Institutions and Markets	MIS Policy & Strategy
Risk Management	Interactive Decision Support Systems
Capital Budgeting	Operations Management
Business Conditions and Forecasting	Management of Manufacturing Firms
Seminar in Finance OR Seminar in Investments	Materials Management
	Management of Service Firms
	Statistical Decision Theory I
	Regression and Correlation Analysis
	Individual Taxation
	Corporate Taxation
	Tax Policy Seminar
	Business Communication
	Special Topics in CIE (2 nd Round)

JOHNS HOPKINS UNIVERSITY

Master of Science in Finance

No requirement for project or master's thesis.

REQUIRED COURSES	ELECTIVE COURSES
<i>Prerequisite Courses:</i>	<i>Electives:</i>
Statistics for Business	Intermediate Financial Accounting
Business, Government, and the World Economy	Advanced Financial Accounting
Financial Accounting	International Trade and Monetary Theory
Mathematics for Financial Analysis	Venture Capital and Entrepreneurial Financing
Financial Management	Corporate Governance and Market Regulation
	Financial Risk Management
<i>Core Courses:</i>	Fixed Income Securities
Managerial Economics	International Financial Management
Advanced Corporate Finance: A Case Study Approach	Financial Institutions Management
Financial Statement Analysis	Econometrics in Finance
Corporate Finance	Mergers, Acquisitions, and Valuation
Financial Modeling	
Investment Analysis and Portfolio Management	
Derivative Securities	
Advanced Portfolio Management	

LOYOLA COLLEGE

Master of Science Finance

No requirement for project or master's thesis.

REQUIRED COURSES	ELECTIVE COURSES
<i>4 Foundation Courses:</i>	Financial Theory
Statistical Applications in Business	Financial Institutions
Global Economic Analysis	Financial Modeling
Financial Reporting and Analysis	Financial Policy
Fundamentals of Finance	Fixed-Income Securities
	Derivatives and Risk Management
<i>6 Core Courses:</i>	Special Topics in Finance
Financial Applications & Strategy	
Investment Management	
Portfolio Management	
Financial Markets & Instruments	
International Finance	
Advanced Financial Analysis	

RUTGERS

Master of Quantitative Finance

No requirement for project or master's thesis.

REQUIRED COURSES	ELECTIVE COURSES
Financial Modeling I	Financial Management
Financial Modeling II	Advanced Financial Management
Applied Stochastic Processes	International Capital Markets
Microeconomic Theory or Microeconomics I	Portfolio Management
Operations Research Models in Finance	Analysis of Fixed Income Securities
Numerical Analysis	Investment Banking
Econometrics or Simulation & Modeling for Engineering & Business	Financial Statement Analysis
Object Oriented Programming in Finance I & II	Advanced Econometrics
Introduction to Finance	Applied Portfolio Management
Financial Institutions & Markets	Empirical Finance
Options	
Investment Analysis & Management	
Fundamentals of Career Planning	
Introduction to Probability	

SAINT JOSEPHS UNIVERSITY

Master of Science in Financial Services

No requirements for project or master’s thesis.

Required Courses	Elective Courses
<i>5 Foundation Requirements :</i>	Tax Planning for Management Decision Making
Financial Tools	Personal Financial Planning
Accounting Concepts	Advanced Financial Management
Managerial Economics	International Finance
Financial Management	Security Analysis
Business Statistical Tools with Excel	Mergers and Acquisitions
	Derivative markets
<i>3 Advanced Requirements:</i>	Estate Planning
Shareholder Value Management	Pension & Benefits Administration
Financial Institutions & Capital Mkts.	Contemporary Information Technologies
Portfolio Management Finance	Stakeholder Theory and Social Responsibility
	Creating and Measuring Customer Value
	Financial Statement Analysis
	Risk Management
	Topics in Finance
	Finance Study Tour
	Personal Insurance Planning
	Business Law for Manager

TEMPLE UNIVERSITY

Master of Science in Financial Engineering

MSFE students pursue an applied financial engineering project (projects may be individualized based on internship opportunities).

REQUIRED COURSES	ELECTIVE COURSES
Financial and Managerial Accounting	<i>Choose three or four 500-level Business Electives from the following departments:</i>
Managerial Economics	
Financial Analysis and Strategy	Accounting
Quantitative Methods for Business	Economics
Fixed Income Analysis	Statistics
Management of Financial Institutions	
Foundations in Business Financial Decisions	
Advanced Corporate Finance	
Capital Structure of Business	
Portfolio Theory and Capital Markets Economy Companies	
Financial Management-Healthcare	
Derivatives	
Investments	
International Financial Markets	
International Financial Management	
Financing the Growth of New Economy Companies	
Independent Study	

UNIVERSITY OF BALTIMORE

Master of Science in Business, specialization in Finance

No requirement for project or master's thesis.

REQUIRED COURSES	ELECTIVE COURSES
<i>Core courses</i>	
Business Statistics	Bank Management
Introduction to Accounting	International Financial Management
Financial Management	Risk Management
Economics	Fixed Income Securities
	Financial Modeling
<i>Required Courses</i>	Derivative Instruments
Advanced Financial Management	Real Estate Investment
Financial Analysis and Strategy	Entrepreneurial Finance and Venture Capital
Investment Analysis	Corporate Restructuring
Accounting for Managerial Decisions	Special topics
Business Economics and Forecasting	Individual Research

VILLANOVA

Master of Science in Finance

No requirement for project or master's thesis.

REQUIRED COURSES	ELECTIVE COURSES
<i>Quantitative Methods Courses:</i>	
Probability and Stochastic Processes	None
Time Series and Applied Business Forecasting	
<i>Finance Courses:</i>	
Survey of Financial Theory	
Financial Markets, Institutions and Trading Environment	
Student Managed Funds I and II	
Derivatives	
Applied Corporate Finance	
Financial Modeling	
Corporate Risk Management	
Contemporary Topics in Finance: Valuation	

Appendix C: Syllabus for MS in Finance Capstone Course

University of Delaware
Lerner College of Business and Economics

FINC867/ECON867 Workshop in Financial Economics

Course Description and Reading List

Paul A. Laux*

Professor of Finance

University of Delaware

Teaching Note 0A, Spring 2007

Abstract

This course is a graduate-level introduction to financial economics. It is intended mainly for Master and Ph.D. students in Economics. If you are planning a field in finance, then you should very definitely take this course. It is also be appropriate for others who have a strong interest in the fundamentals and research in the social science of financial economics.

This version is current as of the first day of the semester, and thus becomes the contract between professor and student.

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1 Overview

This course is an academic graduate-level introduction to financial economics, and studies central topics in the social science of finance. The course will survey three major areas: finance fundamentals/market efficiency, asset pricing, and corporate finance. Selected additional coverage of financial institutions, market microstructure, corporate governance, and international finance is also provided. Students are expected to read, present, and critique current and seminal articles from the field. A paper is required; original empirical content is encouraged. Support with database access will be provided for students who choose to write a paper with original empirical content. This class will be conducted using a combination of lecture and seminar styles.

This is a first survey course in financial economics. A major goal is education as to the broad topics and types of questions that are the domain of financial economics. The course provides a flavor and some fundamentals in each major area of finance. The paper requirement provides an opportunity to dig deeper in one area of interest to you. This fits with another major goal: education in the way scholars work. Thus, the focus of the course is on reading and critiquing the work of others, and, eventually, thinking through the contribution that you could make on a topic.

1.0.1 Prerequisites:

This course is intended for students with a graduate-level interest in academic financial economics. At U.D., this is the only course entirely devoted to the graduation level study of the science of financial economics (i.e., as opposed to the practice of finance as in MBA courses).

This class is intended mainly for students who have completed at least one semester of the Master in Economics program. I will assume students understand basic microeconomics (ECON801), and that they are familiar with fundamental econometric techniques (ECON822). Additionally, students should be familiar with the basics of MBA finance at the level of FINC850 and FINC852.

I do not require that students have necessarily taken those courses, but rather that they be competent with the material. Regarding the Economics courses, I am happy to accept the opinion of one of your professors that you have basic graduate-level competence in microeconomics and econometrics, if it is not already obvious from the courses you have taken. Regarding

the Finance courses at the MBA level, I will trust my own opinion based on a conversation with you. If you need preparation in MBA Finance, you can obtain it by completing a reading program over the Winter break. (A preliminary version of this document was posted on my web site in the Fall, partly so that everyone could see this suggestion.) Please see me for details.

2 Student responsibilities

Your core responsibility is to be an active and intellectually engaged scholar, striving to develop a graduate-level understanding of the core of financial economics. More specifically, I expect the following. You will prepare for class discussions by studying a set of readings, and will be prepared to discuss and occasionally present those readings. You will constructively join in our discussion in all class sessions and contribute to our development of takeaway summaries. You will prepare for and sit for a midterm exam and a final exam. You will write a paper for the end of the term. Ideally, this would be an empirical investigation of some sort, though a survey paper is my expectation for most students. You will solve several problem sets along the way.

3 Grading and evaluation

I will assign course grades according to U.D. standards and Economic/Finance Department norms. Grades will be based on a midterm exam (20 percent); a final exam (30 percent); class discussion, presentations (considering both written and oral components), and problem sets (25 percent); and a final paper (25 percent). Formally, the final exam is cumulative, but it will emphasize topics from the second half of the course. I have a long history of reasonable grades for fully-engaged students. The main thing in my courses is to try hard, and try as smart as you can—then things tend to work out.

4 Professor

4.1 Biographical sketch

I am a Professor of Finance at the University of Delaware. I earned my Ph.D. from Vanderbilt University in the late 1980s for research in the structure of the Nasdaq Stock Market. From Vanderbilt, I joined the Finance Department at the University of Texas as an Assistant Professor, where I focused on developing my re-search program on trading in financial markets.

In the early 1990s, I worked on futures issues as a staffer at the Commodity Futures Trading Commission, and later moved to Case Western Reserve University's Finance Department in 1994. As a markets and trading specialist, I continued my research and also became an increasingly active consultant during the next few years. An example of my work during those years is a theoretical model of a quasi-competitive security market, with empirical tests, published in the *Journal of Economic Dynamics and Control*.

Around the middle/late 1990s, I began to develop new research and teaching interests in corporate finance, law, and international finance. An example of my work from this period is a piece in the *Journal of International Business Studies* on the exchange rate risk management practices at large U.S. corporations. JIBS is the leading academic journal in international business.

During 2003, I was the Fulbright Chair in Banking at ISCTE-Lisbon, the largest business school in Portugal, and have visited there repeatedly since. In 2004, I joined the Finance Department at the University of Delaware. Delaware is the legal home of most large U.S. corporations, the University has a special interest in international education, and the Department has a special expertise in corporate governance—so I thought of this move as a special opportunity to further my work in many of the areas mentioned above. I served a couple of years as Department chairperson, before recently returning full-time to teaching and research.

My current research work is at the intersections of corporate governance, financial markets and international finance, especially on the ways that information about firms is conveyed to financial markets. For example, one of my recent articles (in the *Journal of Financial and Quantitative Analysis*) demonstrates the importance of properly-crafting the statements the prospectus at the time of a security issue — else the stock market may even penalize the firm for doing a good thing.

Another strain of my recent research demonstrates how corporate gov-

ernance choices can enhance short-term traders' interest in a firm's stock, ultimately leading to better pricing for the stock. The article demonstrating this result for U.S. stocks is soon to be published in *The Journal of Finance*; my coauthor and I are currently working on the international version of this study. Another recent article (still a working paper) shows how countries' economic success can be enhanced by allowing cross-border portfolio flows. My other professional work is related; for example, this past summer I worked for the International Finance Corporation of the World Bank, lecturing on corporate governance in Bosnia and Albania.

4.2 Communications

I encourage you to establish a dialog with me on the topics of our class. Establishing such a habit will help you overcome difficulties in your studies, deepen your knowledge of finance, and prevent misunderstandings.

You can email me at laux@udel.edu. My office is 310 Purnell Hall, where the phone is +1.302.831.6598 in the U.S.. For voicemail, it's best to use +1.302.250.4598, or use Skype to paul_laux. Those come to my computer, which I tend more closely than the telephone. My cellphone is +1.302.437.6955, a number you are welcome to use should you ever need to reach me urgently.

I want to be available for you. I will work out a set of office hours, contingent on your schedules. Please feel free to work out other meetings with me as needed. I'm also be happy to hold occasional review or extension sessions for interested groups of students.

5 Course materials

Readings will all—or almost all—be available via the web. Most will be posted on a private site (admonished with a company called Avvenu.com) due to copyright restrictions; I'll tell you how to access this in person. Check the class website at www.buec.udel.edu/laux/workshop frequently for information about the course.

6 Reading list and schedule

This is a “papers” course. We will read, work over, and discuss finance research. The reading list below covers the fundamental literature in asset pricing/financial markets and corporate finance. Most of these papers are part of the core preparation in every high-quality graduate program in financial economics. I intend for this reading list to be a really substantial part of what you will need to cover for a field exam in finance.

Important: Clearly, there are more papers listed for each day than you can read in detail as near-term preparation. I will keep you informed about which paper (or sometimes papers) to focus on most for each class meeting. You should try to look at the others also, and plan to read them over time—especially if you plan to take the finance field exam. I will be reasonable. I will expect you to be dedicated.

Any reading list for this, U.D.’s one-shot graduate academic course in financial economics, is necessarily incomplete and selective. Not all important areas are represented (for example, financial institutions, risk management and international finance are largely missing, and derivative assets and market microstructure are sorely underrepresented). I have chosen to focus on financial market pricing and corporate finance, the two fields that I believe are most at the heart of finance. While I believe this is the right choice, it has not been an easy one.

Choices of papers within each topic have also been a bit painful. Not all seminal papers are represented. Most papers are chosen to highlight an important contribution to finance knowledge or methodology. I have made some effort to include newer papers, even where there are more prominent older ones, to give a flavor for the state of the field. However, because this is a course in fundamentals, most of the papers chosen have stood the test of time. A few papers are chosen for their “fit” or “contrast” in the context of other papers chosen—i.e., for pedagogical reasons.

Papers marked with * constitute a set for which discussions will be led by students, on a rotating basis. Please expect to have occasional discussion-leader duties for a particular paper. Ideally, you would work with me to develop a teaching note for the class. Depending on the size of the class, this set may be adjusted. Everyone will lead at least one discussion.

6.1 Foundations of Finance

- Before the semester, if you need it: The briefest possible overview/introduction to MBA-level finance (as a refresher on language, concepts and approach)
 - Optional: Chapters 1, 2, and 3 of Grinblatt, M. and S. Titman, *Financial Markets and Corporate Strategy* (Irwin McGraw-Hill) 2003.
- February 6: Introduction to finance
 - Ross, S., 1987, The interrelations between finance and economics: Theoretical perspectives, *American Economic Review*.
- February 8: Fundamentals of asset pricing
 - Chapter 1, Section 1, “Valuation” in De Matos, J., 2001, *Theoretical Foundations of Corporate Finance*, Princeton University Press.
- February 13: Fundamentals of asset pricing under risk
 - Chapter 1, Sections 2 and 3, “Valuation” in De Matos, J., 2001, *Theoretical Foundations of Corporate Finance*, Princeton University Press.
 - Campbell, J., 2000, Asset pricing at the millennium, *The Journal of Finance* 55, 1515-1567.

6.2 Market Efficiency

- February 15: Overview, early tests, and methodology (or Some evidence supporting market efficiency)
 - Fama, E., 1991, Efficient capital markets II, *The Journal of Finance* 46:5, 1575-1917.
 - Shleifer, A., 2000, “Are financial markets efficient,” Chapter 1 of *Inefficient markets: An introduction to behavioral finance* (Clarendon Lectures), Oxford University Press.*

- Fama, E., L. Fischer, M. Jensen and R. Roll, 1969, The adjustment of stock prices to new information, *International Economic Review* 10 1-21.
- Brown, S. and J. Warner, 1985, Using daily stock returns: The case of event studies, *Journal of Financial Economics* 14, 3-31.
- February 20: Some evidence casting doubt on market efficiency
 - Lo, A. and C. MacKinlay, 1988, Stock prices do not follow random walks: Evidence from a simple specification test, *Review of Financial Studies* 1, 41-66.
 - DeBondt, W. and R. Thaler, 1985, Does the stock market overreact?, *The Journal of Finance* 40 793-805.*
 - Shleifer, A., Do demand curves for stocks slope down? *The Journal of Finance* 41, 579-590.*
- February 22: Importance of efficiency/inefficiency for markets, investing, and corporate finance
 - DeLong, B., A. Shliefer, L. Summers and R. Waldman, 1990, Noise trader risk in financial markets, *Journal of Political Economy* 98, 703-738.
 - Shleifer, A. and R. Vishny, 1997, Limits of arbitrage *The Journal of Finance* 52, 35-55.
 - Lakonishok, J., A. Shleifer and R. Vishny, 1994, Contrarian investment, extrapolation, and risk, *The Journal of Finance* 49 1541-1578.
 - Barber, B. and J. Lyon, 1997, Detecting long-run abnormal returns: The empirical power and specification of test statistics, *Journal of Financial Economics* 43, 341-372.
 - Fama, E., 1998, Market efficiency, long run returns, and behavioral finance, *Journal of Financial Economics* 49, 283-306.
 - Stein, J., 1996, Rational capital budgeting in an irrational world, *Journal of Business* 69, 429-455.

6.3 Asset Pricing and Financial Markets

6.3.1 Capital asset pricing theory

- February 27: Portfolio Theory
 - Markowitz, H., 1952, Portfolio selection, *The Journal of Finance* 7, 77-91.
 - Various notes.
- March 1: The CAPM
 - Fama, E. and K. French, 2004, The Capital Asset Pricing Model: Theory and Evidence, *Journal of Economic Perspectives* 18, 25-46.
 - Perold, A., 2004, The Capital Asset Pricing Model, *Journal of Economic Perspectives* 18, 3-24.
 - Sharpe, W., 1964, Capital asset prices: A theory of market equilibrium under conditions of risk, *The Journal of Finance* 19, 425-442.
- March 6: The APT
 - Ross, S., 1976, The arbitrage theory of capital-asset pricing, *Journal of Economic Theory* 13, 341-360.
 - Shanken, J., 1982, The arbitrage pricing theory: Is it testable? *The Journal of Finance* 37, 1129-1140.
 - Chen, N., R. Roll and S. Ross, 1986, Economic forces and the stock market, *Journal of Business* 59 383-403.

6.3.2 Empirical evidence

- March 8: Testing the CAPM
 - Fama, E. and J. MacBeth, 1973, Risk, return and equilibrium empirical tests, *Journal of Political Economy* 81 607-636.
 - Banz, R., 1981, The relation between return and market value of common stocks, *Journal of Financial Economics* 9, 3-18.*

- French, K., W. Schwert and R. Stambaugh, 1987, Expected stock return and volatility, *Journal of Financial Economics* 19, 3-29.
 - Fama, E. and K. French, 1992, The cross-section of expected stock returns, *The Journal of Finance* 47, 427-465.*
 - Fama, E. and K. French, 1993, Common risk factors in the returns on stocks and bonds, *Journal of Financial Economics* 33, 3-56.*
 - Kothari, S., J. Shanken and R. Sloan, 1995, Another look at the cross section of expected stock returns, *The Journal of Finance* 50, 185.
- March 13: Applications of multifactor models
 - Haugen, R. and N. Baker, 1997, Commonality in the determinants of expected returns, *Journal of Financial Economics* 41, 409-431.
 - Fama, E. and K. French, 1997, Industry cost of capital, *The Journal of Finance* 43 153-193.*
 - Fama, E. and K. French, 1993, Common risk factors in the returns on stocks and bonds, *Journal of Financial Economics* 33, 3-56.
 - Fama, E. and K. French, 1996, Multifactor explanations of asset-pricing anomalies, *The Journal of Finance* 51, 55-84.

6.3.3 Derivative Assets

- March 15: Option payoffs and the Black-Scholes analysis
 - Smith, C., 1976, Option pricing: A review, *Journal of Financial Economics* 3, 3-52.
 - Black, F. and M. Scholes, 1973, The pricing of options and corporate liabilities, *Journal of Political Economy*.
- March 20: Models and prices
 - Cox, J., S. Ross, and M. Rubinstein, 1979, Option pricing: A simplified approach, *Journal of Financial Economics*.
 - Jarrow, R., H. Li and F. Zhao, 2007, Interest rate caps smile too! But can LIBOR market models capture the smile?, *The Journal of Finance* 62, 345-382.

6.3.4 Midterm Interim

- March 22 Catchup and review
- April 3 Midterm Exam

6.3.5 Market Microstructure and Asset Prices

- April 5: What's in a price? Information and ...
 - Kyle, A., 1984, Continuous auctions and insider trading, *Econometrica* 53, 1315-1336.
 - Stoll, H., 1988, Inferring the components of the bid-ask spread, *The Journal of Finance* 44, 115-134.*
 - Easley, D., S. Hvidkjaer and M. O'Hara, 2002, Is information risk a determinant of asset returns?, *The Journal of Finance* 57, 2185-2221.*

6.4 Corporate Finance

6.4.1 Capital structure

- April 10: Theory
 - Zingales, L., 2001, New foundations for corporate finance, *The Journal of Finance* 55, 1623-1653.
 - Chapter 2, “Capital Structure” in De Matos, J., 2001, *Theoretical Foundations of Corporate Finance*, Princeton University Press.
 - Miller, M., 1977, Debt and Taxes, *The Journal of Finance* 32, 261-276.
 - Myers, S., 1984, The Capital Structure Puzzle, *The Journal of Finance* 39, 575-592.
- April 12: Empirical Evidence
 - Rajan, R. and L. Zingales, 1995, What do we know about capital structure: some evidence from international data, *The Journal of Finance* 50, 1421-1460.*

- Graham, J., 2000, How big are the tax benefits of debt?, *The Journal of Finance* 55, 1901-1941.
- Shyam-sundar, L. and S. Myers, 1999, Testing static tradeoff against pecking order models of capital structure, *Journal of Financial Economics* 51, 219-244.

6.4.2 Security issuance

- April 17: Theories and Tests
 - Myers, S., and N. Majluf, 1984, Corporate Financing and Investment Decisions when Firms Have Information That Investors Do Not Have, *Journal of Financial Economics* 13, 187-221.
 - Baker, M. and J. Wurgler, 2002, Market timing and capital structure, *The Journal of Finance*, 57, 1-32.*
 - Ditmar, A. and A. Thakor, 2007, Why do firms issue equity?, *The Journal of Finance* 62, 1-54.
- April 19: Pricing
 - Lohran, T. and J. Ritter, 1995, The new issues puzzle, *The Journal of Finance* 50 23-51.*
 - Ritter, J., 1991, The long-run performance of initial public offerings, *The Journal of Finance* 46, 3-27.*

6.4.3 Markets for corporate control

- April 24: Fundamentals
 - Jensen, M. , and R. Ruback, 1983, The Market for corporate control: The scientific evidence, *Journal of Financial Economics* 11, 5-50.
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 - Andrade, G., M. Mitchell, and E. Stafford, 2001, New evidence and perspective on mergers, *Journal of Economic Perspectives*.
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 - Shleifer, A. and R. Vishny, 2003, Stock market driven acquisitions, *The Journal of Finance*.

6.4.4 Corporate Investment

- May 1: Q attracts—but financing constrains?
 - S. Fazzari, R. Hubbard and B. Petersen, 1988, Financing constraints and corporate investment, *Brookings Papers on Economic Activity* 1988, 141-206.
 - Kaplan, R. and L. Zingales, 1997, Do financing constraints explain why investment is correlated with cash flow, *Quarterly Journal of Economics* 112, 169-215.
 - Durnev, A., R. Morck and B. Yeung, 2004, Value enhancing capital budgeting and firm-specific stock return variation, *The Journal of Finance* 59, 65-105*

6.4.5 Dividends

- May 3: Taxes and Signals
 - Miller, M., and F. Modigliani, 1961, Dividend Policy, Growth, and the Valuation of Shares, *Journal of Business* 34, 411-433.
 - Black, F., 1976, The Dividend Puzzle, *Journal of Portfolio Management*, Winter 5-8.

- Miller, M., and M. Scholes, 1978, Dividends and Taxes, *Journal of Financial Economics* 6, 333-364.
- Miller, M., and K. Rock, 1985, Dividend Policy Under Asymmetric Information, *The Journal of Finance* 40, 1031:1051.
- May 5: Evidence and recent thinking
 - Aharony, J. and I. Swary, 1980, Quarterly Dividend and Earnings Announcements and Stockholders' Returns: An Empirical Analysis, *The Journal of Finance* 35, 1-12.*
 - DeAngelo, H. and L. DeAngelo, 2006, The irrelevance of the M&M dividend irrelevance theorem, *Journal of Financial Economics* 79, 293-315.
 - One more paper: not yet decided.

6.4.6 Corporate Governance & Law and Finance

- May 8: Governance and Capital Markets
 - Shleifer, A. and R. Vishny, 1997, A survey of corporate governance, *The Journal of Finance* 52, 737-783.
 - Ferreira, M. and P. Laux, 2007, Corporate governance, idiosyncratic risk and information flow, *The Journal of Finance* 62, 951-990.
 - LaPorta, R., F. Lopez de Silanes, A. Shleifer and R. Vishny, 1998, Law and Finance *Journal of Political Economy* 106 1113-620.
 - Levine, R., 1997, The legal environment, banks and long-run economic growth, *Journal of Money Credit and Banking*, 305 96-620.*

6.5 Student Papers

- May 10 Paper Draft Presentations
- May 15 Paper Draft Presentations (continued)

Appendix D: AACSB International Accreditation Criteria

AACSB International – The Association to Advance Collegiate Schools of Business

Eligibility Procedures and Accreditation Standards for Business Accreditation

STANDARDS ADDRESSING DEFINING LEARNING GOALS AND MEASURING ACHIEVEMENT OF LEARNING GOALS

19: Master's level degree in specialized programs: Knowledge and Skills. Participation in a master's level program presupposes the base of general knowledge and skills appropriate to an undergraduate degree and is at a more advanced level.

The level of knowledge represented by the students of a specialized master's level program is the:

- Application of knowledge even in new and unfamiliar circumstances through a conceptual understanding of the specialization.
- Ability to adapt and innovate to solve problems.
- Capacity to critically analyze and question knowledge claims in the specialized discipline.

Master's level students in specialized degree programs demonstrate knowledge of theories, models, and tools relevant to their specialty field. They are able to apply appropriate specialized theories, models, and tools to solve concrete business and managerial problems. Adapting expectations to the school's mission and cultural circumstances, the school specifies learning goals and demonstrates achievement of learning goals in each specialized master's degree program.

Basis for Judgment:

- Learning goals for specialized master's programs require extensive knowledge in the field, an understanding of how knowledge is created in the field, and the ability to apply knowledge of the field.
- The school demonstrates that students achieve the learning goals. Or, if assessment demonstrates that learning goals are not being met, the school has instituted efforts to eliminate the discrepancy.
- Students demonstrate the capacity to apply and adapt knowledge.
- The school is responsible for the quality of learning counted toward satisfying degree requirements regardless of where or how it takes place.

Guidance for Documentation:

- Display examples of student work showing the ability to apply and adapt accumulated knowledge.
- Describe the learning goals of each specialized master's degree program.
- Demonstrate that students achieve all of the learning goals for each specialized master's degree. Or, if assessment demonstrates that learning goals are not being met, describe efforts that have been instituted to eliminate the discrepancy.

20: The master's level degree programs must provide sufficient time, content coverage, student effort, and student-faculty interaction to assure that the learning goals are accomplished.

Basis for Judgment:

- Expectations will vary dependent on the educational practices and structures in different world regions and cultures.
 - In the USA, for example, master's level education normally represents the equivalent of 9 to 12 months of full-time study subsequent to earning a bachelor's degree in business or in a discipline related to a specialized master's degree, or the equivalent of 15 to 18 months of full-time study subsequent to earning a bachelor's degree in a non-business field.
 - In the French Grandes Ecoles, for example, a Grandes Ecoles master's level education is normally earned in three years of study following a two-year DEUG.
 - Variations in educational expectations, length of academic years, pedagogies, and other educational features will give rise to other patterns.
- The Peer Review Team will need to judge the appropriateness of the educational level expectations taking into account the context and mission of the school.
- Normally, the majority of learning (credits, contact hours, or other metric) in traditional business subjects (as listed under "Defining the Scope of Accreditation") counted toward degree fulfillment is earned through the institution awarding the degree.

Guidance for Documentation:

- Show that master's level degree programs fulfill expectations appropriate for the context and mission of the school.

Appendix E: Coordination Letters from Affected Departments



DEPARTMENT OF ECONOMICS MEMORANDUM

General Information: 831-2563
Undergraduate Programs: 831-2564
Graduate Programs: 831-2566

Facsimile: 831-6968
Chair: 831-1907
Office: 406 Purnell

DATE: October 23, 2007
TO: Helen Bowers, Department of Finance
FROM: Saul D. Hoffman, Chair, Department of Economics
RE: Proposed MS in Finance Program

A handwritten signature in black ink, appearing to read "Saul D. Hoffman", with a horizontal line extending to the right.

The Department of Economics strongly supports the proposed MS in Finance program. We understand that ECON822 is a required course in this program. At this time, we are offering two sections of this course in the fall term to accommodate our own MA and PhD students and students from other graduate programs. Sufficient space is currently available to accommodate 8-10 students. If your program expands beyond that level and other demands for this course remained at their current levels, we would need additional resources to meet that demand.

We also understand that eight of our courses (outlined in your proposal) can be taken as electives, as long as students meet the appropriate prerequisites or receive permission from the instructor. We expect demand from your program for these classes to be small, on the order of 2-4 students maximum per class. We can accommodate these numbers. If demand for ECON801 or 802 were much larger than this, we might have difficulty in accommodating all students with our current resources and course offerings.

Again, I emphasize our support for your program and our interest in working with the Dept of Finance on strengthening graduate offerings in our common areas of interest.



ALFRED LERNER COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING
AND MANAGEMENT
INFORMATION SYSTEMS

University of Delaware
Newark, Delaware 19716-2715
Ph: 302/831-2961
Fax: 302/831-4676

TO: Dr. Jay Coughenour, Chair
Department of Finance

FROM: Dr. Jeff Gillespie, Interim Chair
Department of Accounting and MIS

DATE: October 30, 2007

RE: Courses for the M.S. in Finance

A handwritten signature in black ink, reading "Jeff Gillespie", written over the "FROM" line of the memo.

The Department of Finance has requested that ACCT 820 – Financial Statement Analysis be available as a required course for students in the new M.S. in Finance degree program, and that ACCT 614 – Federal Tax Research and Planning be available as an elective course for these students. The Department of Accounting and MIS agrees to both of these requests.

Appendix F: Library Assessment Statement



UNIVERSITY OF
DELAWARE LIBRARY
OFFICE OF THE DIRECTOR

University of Delaware
Newark, Delaware 19717-5267
Phone: 302/831-2231
Fax: 302/831-1046
Library Web: <http://www.lib.udel.edu>

December 11, 2007

MEMORANDUM

To: Helen M. Bowers
Associate Professor
Department of Finance

From: Susan Brynteson 
The May Morris Director of Libraries

I am responding to your request to supply information about the capability of the University of Delaware Library to support the proposal for the new Master of Science degree for the Department of Finance.

The University of Delaware Library is well able to support the new degree at the master's level. Enclosed is a description of collections, resources and services available.

I would be pleased to respond to any questions.

SB/nb
Enclosure

c: Jay F. Coughenour, Chairperson and Associate Professor, Department of Finance
Craig A. Wilson, Assistant Director for Library Collections
Pauly Iheanacho, Associate Librarian, Reference Department



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December 11, 2007

Report on Library Services and Collections in Support of the Master of Science in Finance
for the Lerner College of Business and Economics

General Description

The University of Delaware Library includes the Hugh M. Morris Library, where the main collection is housed; three branch libraries located on the Newark campus, the Agriculture Library, the Chemistry Library, and the Physics Library; and a fourth branch library, the Marine Studies Library, located in Lewes, Delaware. The Library collections parallel the University's academic interests and support all disciplines. In addition to collections which directly support the Department of Finance, the Library has strong collections in other areas that relate to the new degree proposal, such as Accounting and Management Information Systems, Business Administration, Computer and Information Sciences, Economics, Institutional Management, Legal Studies, Operations Research, Public Policy, and Urban Affairs.

Books, periodicals, microforms, government publications, computer databases and other electronic resources, maps, manuscripts, and media provide a major academic resource for the University of Delaware, the surrounding community, the state of Delaware, and the nation. Library staff members provide a wide range of services, including reference assistance, circulation, interlibrary loan, instructional programs, and assistance to the visually impaired.

A professional librarian, Pauly Iheanacho, Associate Librarian in the Reference Department, serves as liaison to the faculty in the Department of Finance. Suggestions for purchases received by the Library for materials related to Finance are directed to Dr. Iheanacho, who also regularly consults faculty about priorities and the direction the collections should take. Dr. Iheanacho is also available for instruction in the use of the Library for students and faculty. He maintains a subject Web site for Finance which can be accessed from the Library Web <www.lib.udel.edu> by clicking on "Subject Guides A to Z" or directly by the URL <www2.lib.udel.edu/subj/fina/>.

The University of Delaware Library is a U.S. depository library and a U.S. patent depository library and contains a complete file of every patent the U.S. Office of Patents and Trademarks has issued.

The online catalog, called DELCAT, provides access to millions of items by author, title, subject, and keyword.

Library collections number over 2,700,000. In 2006/2007, the Library Web <www.lib.udel.edu> received over 1.8 million virtual visits.

The University of Delaware Library is a member of the Association of Research Libraries, OCLC, the Center for Research Libraries, PALINET, CIRLA (The Chesapeake Information and Research Library Alliance), and NERL (NorthEast Research Libraries).

Specific support for the Finance Program

Funds are designated at the beginning of each fiscal year for the support and strengthening of the collections. Support for the Department of Finance is supplemented by funds used to purchase materials in the related areas noted previously as well as funds for the purchase of electronic resources.

The Library subscribes to many print journals and electronic journals which support the Department of Finance. A list of electronic journals by subject, including Finance, is available from the Library Web by clicking on "Electronic Journals" at the top of the main page <www.lib.udel.edu> and then "Browse by Subject". In addition to various reference sources in print (see the "Research Guides" section of the Subject Guides <www2.lib.udel.edu/subj/fina/resguide/> available under the section "Subject Guides A-Z" on the Library Web page), the Library also makes available several electronic databases which support Finance, including ABI/INFORM, Business Source Premier, Company ProFiles, EconLit, EDGAR Database of Corporate Information, EIU ViewsWire, General BusinessFile ASAP, Industry Norms and Key Business Ratios, Investext Plus, LexisNexis Academic, Mergent Online, ReferenceUSA Business Database, Regional Business News, RIA Checkpoint, Value Line Research Center, Standard and Poor's NetAdvantage, Public Administration Abstracts, and the Wall Street Journal (historic and current).

In addition, the Library provides access to other electronic databases that include aspects of Finance, such as Academic OneFile, Expanded Academic ASAP Plus, Hospitality and Tourism Complete, LexisNexis Congressional Universe, LexisNexis Government Periodicals Index, LexisNexis Statistical Universe, New York Times (Historical), PAIS International, ProQuest Digital Dissertations (Dissertation Abstracts), Sociological Abstracts, STAT-USA, and Web of Science. Several databases incorporate the Library's major linking service, Article Express, for electronic access to the full text of journal articles). Census information and other demographic data are available as is a wide range of printed and electronic reference sources.

The Library has a strong collection of videotapes and films which cover a wide range of subjects, including Finance. The video collection is heavily used; is increasing in size; and there has been much consultation about it by Francis Poole, Librarian and Head of the Instructional Media Collection Department with faculty in all areas.



Susan Brynteson
The May Morris Director of Libraries