

Syllabus [cmcd.economia@fgv.br]

Course Name: Theory of Corporate Finance

Faculty:

2026 FIRST SEMESTER

COURSE OUTLINE

This course introduces graduate students to the theoretical foundations of corporate finance, with an emphasis on general equilibrium and contract theory under incomplete information. We study the firm's capital structure and dividend policy, as well as moral hazard, adverse selection, signalling, and the interaction between corporate financing and market structure.

The course covers competitive general equilibrium models with stock markets, principal-agent frameworks, credit rationing, debt overhang, liquidity and risk management, and corporate governance.

Analytical models will be used to clarify the mechanisms driving financing decisions, serving as a basis for policy implications and empirical applications.

COURSE PROGRAM

Part A. Competitive general equilibrium with stock markets

1. The objective of the firm
2. The capital structure of the firm
3. About competitive price expectations
4. Moral hazard and competitive markets

Part B. Principal-Agent models

1. Outside financing: Private benefit and moral hazard
2. Liquidity and risk management
3. Corporate financing under asymmetric information
4. Mergers and acquisitions
5. Lending relationships and investor activism
6. Control rights and corporate governance

BIBLIOGRAPHY

The textbook for the course is

- Tirole, J.: "The Theory of Corporate Finance", Princeton University Press, 2006

Some additional material can be found in

- Hart, O. D.: "Firms, Contracts and Finance Structure", Oxford University Press, 1995
- Smith, C. W.: "The Modern Theory of Corporate Finance", McGraw Hill-Irwin, 1990

GRADING

Student performance will be evaluated through in-class presentations.

CONTACT