



Fridays 09:00 – 12:30

Sint-Pietersplein 7

Teaching room on the second floor

**Doctoral Course Outline:
Topics in Corporate Finance**

Main instructor: Prof. dr. Luc Renneboog (Tilburg, UGent)

Co-instructors: Prof. dr. Klaas Mulier (UGent) **and Prof. dr. Tom Vanacker** (UGent)

Department of Accounting, Corporate Finance and Taxation

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Office Hours: by appointment

1. Introduction

In this course outline you will find important information with respect to the organization, planning and content of the doctoral course “Topics in Corporate Finance”.

The doctoral course “Topics in Corporate Finance” comprises 8 sessions of 3.5 hours which will each handle 1 selected topic. Each session will consist of several parts: a lecture about the topic, class discussion, and a presentation by one or more students. The lecture is intended to give a broader overview of the topic and to discuss the insights of a few seminal papers on the topic on the one hand, and to explore a specific research methodology often used to tackle research questions on that topic on the other hand. The presentation by a student can be a presentation of a seminal paper as if it were his/her own paper, or it can be a general presentation about a specific research methodology that it is often used in the academic literature on corporate finance and relates particularly to the topic of the day. Specific learning goals include:

- Exploring the literature on empirical corporate finance and banking
- Understanding advanced financial models/theories and their implications
- Being able to identify research gaps in the current literature
- Being able to develop interesting new research questions
- Understanding state-of-the art analytical techniques/methodologies and knowing which methodology to apply in order to address a given research questions

Read thoroughly through this course outline at the beginning of the term. It will inform you where and when the different sessions are held and what is expected from you for this specific course.

Good luck!

Prof. dr. Luc Renneboog

Prof. dr. Klaas Mulier

Prof. dr. Tom Vanacker

2. Prerequisites

The prerequisite is that 1) you are an outstanding master student in a corporate finance oriented master and expected to graduate this year; or 2) you have a master in economics, a master in applied economics or a master in business engineering and you are pursuing a PhD in corporate finance or a related field. In order to better understand the material and participate more actively in class, students are required to read the material (labelled as mandatory reading) for each lecture prior to each class.

Some interesting background resources:

Michael Roberts and Toni Whited (2013) “Endogeneity in Empirical Corporate Finance”, in George Constantinides, Milton Harris, and René Stulz (eds) *Handbook of the Economics of Finance*, vol 2, Amsterdam, North Holland.

Joshua Angrist and Jörn-Steffen Pischke (2014) *Mastering 'Metrics: The Path from Cause to Effect*, Princeton University Press

3. Timetable and Course Overview

Time and location	Content	Prepare
Friday February 15 09:00-12:30 Prof. dr. Luc Renneboog	Session 1: Corporate Social Responsibility	1. Mandatory Reading 2. Student X prepares short presentation of paper
Friday February 15 13:30-17:00 Prof. dr. Luc Renneboog	Session 2: Alternative investments	1. Mandatory Reading 2. Brainstorm about interesting research topics related to alternative investing.
Friday February 22 09:00-12:30 Prof. dr. Luc Renneboog	Session 3: Dividend Policy	1. Mandatory Reading 2. Student X prepares short presentation of paper
Friday March 1 09:00-12:30	Session 4: M&A	1. Reading list

Prof. dr. Luc Renneboog		2. Student X prepares short presentation of paper
Friday March 8 09:00-12:30 Prof. dr. Klaas Mulier	Session 5: Bank Lending	1. Mandatory Reading 2. Prepare (minimum) 2 interesting new research questions
Friday March 15 09:00-12:30 Prof. dr. Luc Renneboog	Session 6: Insider Trading	1. Mandatory Reading 2. Student X prepares short presentation of paper
Friday March 29 09:00-12:30 Prof. dr. Luc Renneboog	Session 7: Executive Remuneration / CEO characteristics and Corporate Policy	1. Mandatory Reading 2. Student X prepares short presentation of paper
Friday April 26 09:00-12:30 Prof. dr. Tom Vanacker	Session 8: Entrepreneurial Finance	1. Mandatory Readings 2. Student X prepares short presentation of paper A and Student Y prepares short presentation of paper

4 Sessions in detail

4.1 Corporate Social Responsibility / Socially Responsible Investments (L. Renneboog)

A. Corporate Social Responsibility

Mandatory Reading:

- Ferrell, A., Liang, H. and L. Renneboog, 2016, **Socially Responsible Firms**, *Journal of Financial Economics*, forthcoming.
- Liang, H. and L. Renneboog, 2014, **Finance and Society: the Foundations of Corporate Social Responsibility**, WP CentER.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2360633
- Flammer, C., 2015, **Does Corporate Social Responsibility Lead to Superior Financial Performance? A Regression Discontinuity Approach**, *Management Science* 61, 2549–568
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2146282

Just skim paper (to familiarize yourself with the Law and Finance literature):

- Djankov, S., La Porta, R., Lopez-de-Silanes, F., Shleifer, A. 2008. **The law and economics of self-dealing**. *Journal of Financial Economics* 88, 430-465.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=864645

Estimation topics: Dif-in-Dif and regression discontinuity

Recommended Reading:

- Kitzzmueller, M. and J. Shimshack, 2012, **Economic Perspectives on Corporate Social Responsibility**, *Journal of Economic Literature* 50, 51-84.
- Law and Finance literature:
 - o La Porta, R., Lopez-de-Silanes, F., Shleifer, A., Vishny, R. W. 1998. **Law and finance**. *Journal of Political Economy* 106(6), 1134-1155.
 - o Glaeser, E. L., La Porta, R., Lopez-de-Silanes, F. Shleifer, A., 2004. **Do institutions cause growth?** *Journal of Economic Growth* 9, 271-303.
 - o La Porta, R., Lopez-de-Silanes, F., Shleifer, A., 2008. **The economic consequence of legal origins**. *Journal of Economic Literature* 46, 285-332.
- Institutions literature:
 - o Acemoglu, D. and S. Johnson, 2005. **Unbundling institutions**. *Journal of Political Economy* 113, 949-995.
- Cheng, I.-H., Hong, H. G., Shue, K. 2013. **Do managers do good with other people's money?** Chicago Booth Research Paper No. 12-47.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1962120

- Edmans, A., Li, L., Zhang, C. 2014. **Employee satisfaction, labor market flexibility, and stock returns around the world**. NBER Working Paper No. 20300.
<http://www.nber.org/papers/w20300.pdf>
- Krueger, P., 2015. **Corporate goodness and shareholder wealth**. Journal of Financial Economics 115, 304-329. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2287089
- Liang, H., C. Marquis, L. Renneboog and L. Sunny, 2014, **Speaking of Corporate Social Responsibility**, WP CentER/Harvard.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2403878

B. Socially Responsible Investing

Mandatory Reading:

- Dimson, E., Karakas, O., Li, X, 2015. **Active ownership**, Review of Financial Studies, forthcoming http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2154724

Recommended Reading

- Geszy, C., R. Stambaugh, and D. Levin, 2013, **Investing In Socially Responsible Mutual Funds**, WP Wharton.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=416380
- Hong, H. and M. Kacperczyk, 2009, **The Price of Sin: The Effects of Social Norms on Markets**, Journal of Financial Economics, 93,15-36.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=766465
- Renneboog, L., Ter Horst, J., Zhang, C. 2008. **The price of ethics and stakeholder governance: the performance of socially responsible mutual funds**, Journal of Corporate Finance 14, 302-322.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=985265
- Renneboog, L., Ter Horst, J., Zhang, C., 2011. **Is ethical money financially smart? Nonfinancial attributes and money flows of socially responsible investment funds**. Journal of Financial Intermediation 20, 562-588.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=887162

4.2 Alternative Investments (real estate, art, diamonds, wine,...) (L. Renneboog)

Mandatory Reading:

- Renneboog, L. and C. Spaenjers, 2013, **Buying Beauty: On Prices and Returns in the Art Market**, *Management Science* 59 (1), 36-53.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1352363

Theoretical topics: index building by means of hedonic pricing and repeat sales method

Recommended Reading:

- Art:
 - Penasse, J., and L. Renneboog, 2014, **Bubbles and Trading Frenzies: Evidence from the Art Market**, WP CentER.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2523854
 - Mei, J. and M. Moses, 2002, **Art as Investment and the Underperformance of Masterpieces: Evidence from 1875-2000**, *American Economic Review*, 1656-1668.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=311701
 - Goetzmann W.,1993, **Accounting for taste: Art and the financial markets over three centuries**. *Amer. Econom. Rev.* 83, 1370–1376.
 - Goetzmann, W., L. Renneboog, and C. Spaenjers, 2011, **Art and Money**, *American Economic Review* 101 (3), 222-226.
For the full version: see http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1501171
 - Pénasse, J., L. Renneboog, and C. Spaenjers, 2014, **Sentiment and Art Prices**, *Economics Letters* 112 (3), 432-424.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2377401
- Real estate:
 - Goetzmann W., 1992, **The accuracy of real estate indices: Repeat sale estimators**. *J. Real Estate Finance Econom.* 5, 5–53.
 - Clayton, J. and N. Miller and L. Peng, **Price-volume Correlation in the Housing Market: Causality and Co-movements**, *J Real Estate Finance and Economics* 40,:14-40.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1106437
- Diamonds:
 - Renneboog, L. and C. Spaenjers, 2012, **Hard Assets: The Returns on Rare Diamonds and Gems**, *Finance Research Letters* 9 (4), 220-230.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2251791
- Wine:
 - Dimson, E., P. Rousseau, and C. Spaenjers, 2013, **Wine as a Long-Term Investment**, *Journal of Financial Economics*, forthcoming.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2321573
- Stamps:

Dimson, E., and C. Spaenjers, 2011, **Ex Post: The Investment Performance of Collectible Stamps**, *Journal of Financial Economics* 100.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1444341

4.3 Dividend Policy (L. Renneboog)

Mandatory Reading:

- Overview paper: Farre-Mensa, J., R. Michaely, and M. Schmalz, 2014, **Dividend Policy**, In *Annual Review of Financial Economics, Volume 6*, edited by Andrew W. Lo and Robert C. Merton. Palo Alto, CA: Annual Reviews.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1438851
- Becker, B., Ivkovich, Z., S. Weisbenner, 2011, Local Dividend Clienteles, *Journal of Finance* 66, 655.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1438851
- Crane, A., S. Michenaud and J. Weston, 2014, **The Effect of Institutional Ownership on Payout Policy: Evidence from Index Thresholds**, Working Paper Rice University.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2102822

Recommended Reading:

- Overview book: by DeAngelo, H., L. DeAngelo, D. Skinner, 2008, **Corporate Payout Policy**, *Foundations and Trends in Finance* Vol. 3 (2-3), 95-287,
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1629316
- Michaely, R. and M. Roberts, 2011, **Corporate Dividend Policies: Lessons from Private Firms**, *Review of Financial Studies* 25, 711-746.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=927802
- Fama, E. and K. French, 2001, **Disappearing dividends: changing characteristics or lower propensity to pay?**, *Journal of Financial Economics* 60, 3-43.
- Geiler, Ph. and L. Renneboog, 2016, **Executive Remuneration and the Payout Decision**, *Corporate Governance International Review* 24(1), 42-63.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2436343&download=yes
- Renneboog, L. and G. Trojanowski, 2011, **Patterns in Payout Policy and Payout Channel Choice**, *Journal of Banking and Finance* 35 (6), 1477-1490.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=664982

4.4 Mergers and Acquisitions (L. Renneboog)

Mandatory Reading:

- Martynova, M. and L. Renneboog, 2009, **What Determines the Financing Decision in Corporate Takeovers: Cost of Capital, Agency Problems, or the Means of Payment?**, *Journal of Corporate Finance* 15 (3), 290-315.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=941731
- Betton, S., E. Eckbo, R. Thompson and K. Thorburn, 2014, **Merger Negotiations with Stock Market Feedback**, *Journal of Finance* 69, 1705–1745.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1835073
- Servaes, H. and A. Tamayo, 2014, **How do industry peers respond to control threats?**, *Management Science* 60, 380 - 399
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2283625

Topics: How to write a survey paper. Some hints.

- Example: Renneboog, L. and T. Simons, 2005, **Public-to-Private Transactions: LBOs, MBOs, MBIs and IBOs**, WP CentER. (chapter in book)
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=796047

Recommended Reading:

- Eckbo, E., T. Makaew, and K. Thorburn, 2014, **Are Stock-Financed Takeovers Opportunistic?**, Working paper ECGI 2014.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2356900
- Harford, J., 1999, **Corporate Cash Reserves and Acquisitions**, *Journal of Finance* 54,1969-1997.
- Martynova, M. and L. Renneboog, 2011, **The Performance of the European Market for Corporate Control: Evidence from the 5th Takeover Wave**, *European Financial Management* 17 (2), 208-260.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=941731
- Martynova, M. and L. Renneboog, 2008, **A Century of Corporate Takeovers: What Have We Learned and Where Do We Stand?**, *Journal of Banking and Finance* 32 (10), 2148-77.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=820984
- Martynova, M. and L. Renneboog, 2008, **Spillover of Corporate Governance Standards in Cross-Border Mergers and Acquisitions**, *Journal of Corporate Finance* 14, 200-223.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1094661
- Renneboog, L. and Y. Zhao, 2014, **Director Networks and Takeovers**, *Journal of Corporate Finance* 28, 218-234.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1763167

- Renneboog, L., T. Simons, and M. Wright, 2007, **Why Do Public Firms Go Private in the UK? The Impact of Private Equity Investors, Incentive Realignment, and Undervaluation**, *Journal of Corporate Finance* 13 (4), 591-628.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=873673

- Book with selection of good papers: E. Eckbo, 2010, **Corporate Takeovers** Modern Empirical Developments in Takeovers, Elsevier (2 volumes), pp. 1200. Takeover Activity, Valuation Estimates and Merger Gains (Volume 1) and Bidding Strategies, Financing and Control (Volume 2).

4.5 Bank Lending (K. Mulier)

The focus of this session will be twofold. First, we will discuss the channels that are important to support corporate credit through the banking sector, and why it is relevant to perform research in this area (i.e. how strong the link is from the financial sector to the real sector). Second, we will investigate how (and why) researchers can (should) disentangle credit supply from credit demand. The first part is more descriptive and theoretical in nature, while the second part is more analytical and methodological in nature.

Student's preparation (before class)

- 1) Read every paper from the reading list.
- 2) Think of 2 interesting new research questions in this area of research. This means you are expected to identify a relevant question (building upon the papers in the list, to which we preferably don't know the answer yet) and logically build up your research question using/connecting several citations or theories. (Moreover, you can assume that you will be able to get whatever data you need to address this question. So this should not be a limitation at this stage. Doing this properly should take up half a page/question minimum and 1 page/question maximum.)

Student's take-home assignment (after class) (will be graded)

- 3) Pick the most interesting of your questions (as agreed upon in class) and work out a research strategy to address your question (i.e. create your 'fictitious database' and build up a research methodology that will correctly identify the answer to your question.)

Mandatory Reading:

-Iyer, R., J.-L. Peydro, S. da Rocha-Lopes, and A. Schoar (2014). **Interbank liquidity crunch and the firm credit crunch: Evidence from the 2007-2009 crisis**. *Review of Financial Studies*, Vol. 27, p. 347-372.

-Khawaja, A. and A. Mian (2008). **Tracing the impact of bank liquidity shocks: Evidence from an emerging market**. *American Economic Review*, Vol. 98:4, p. 1413-1442.

-Paravisini, D., V. Rappoport, P. Schnabl, and D. Wolfenzon (2014). **Dissecting the effect of credit supply on trade: Evidence from matched credit-export data**. *Review of Economic Studies*, Vol. 1, p. 1-26

4.6 Insider Trading (L. Renneboog)

Mandatory Reading:

- Fidrmuc, J., M. Goergen, and L. Renneboog, 2006, **Insider Trading, News Releases and Ownership Concentration**, *Journal of Finance* 61 (6), 2931-2973.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=796033
- Niessner, M., 2014, **Strategic Disclosure Timing and Insider Trading**, WP Yale.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2439040

Recommended Reading:

- Kelly, P., 2014, **The information content of realized losses**, WP Yale.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2528878
- Cziraki, P., P. de Goeij, and L. Renneboog, 2014, **Corporate Governance Rules and Insider Trading Profits**, *Review of Finance* 18 (1), 67-108.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1573643
- Cohen, L., C. Malloy, Pomorski, 2012, **Decoding Inside Information**, *Journal of Finance* 57, 1009-1043.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1692517
- Cziraki, P., 2014, **Trading by Bank Insiders Before and During the 2007-2008 Financial Crisis**, WP U of Toronto.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1962719

4.7 Exec. Remuneration Contracting /CEO Characteristics (L. Renneboog)

A. Executive Remuneration Contracting /CEO turnover

Mandatory Reading:

- Jenter, D., and Kanaan, F. 2015. **CEO turnover and relative performance evaluation**, *Journal of Finance* 70. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=885531
- Geiler, Ph. and L. Renneboog, 2015, **Are Female Top Managers Really Paid Less?**, *Journal of Corporate Finance* 35, 345-369. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2378762

Recommended Reading:

- Bertrand, M. and Mullainathan, 2001, **Are CEOs paid for luck? The ones without principals are**, *Quarterly Journal of Economics* 116, 901-932.
- Pan, Y., Wang, T., and M. Weisbach, 2013, **CEO investment cycles**, *Review of Financial Studies*, forthcoming. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2311579
- Kulich, C., S. A. Haslam, L. Renneboog, M. Ryan, and G. Trojanowski, 2011, **Who Gets the Carrot and Who Gets the Stick? Evidence of Gender Disparities in Executive Remuneration**, *Strategic Management Journal* 32, 301-321. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1526948
- Gillan, S. L., Hartzell, J. C., and Parrino, R. 2009. **Explicit vs. implicit contracts: evidence from CEO employment agreements**, *Journal of Finance* 64: 1629-1655. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=687152
- Renneboog, L. and Y. Zhao, 2011, **Us Knows Us in the UK: On Director Networks and Managerial Compensation**, *Journal of Corporate Finance* 17 (4), 1132-1157. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1763167

B. CEO Characteristics and Corporate Policy

Mandatory Reading:

- Nihat A., E. de Bodt, H. Bollaert, and R. Roll, 2015, **CEO Narcissism and the Takeover Process: From Private Initiation to Deal Completion**, *Journal of Financial and Quantitative Analysis*. . http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1784322
- Malmendier, U., and G. Tate, 2009, **Superstar CEOs**, *The Quarterly Journal of Economics* 124 (4), 1593-1638. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=972725

Recommended Reading:

- Bennedsen, M., K. Nielsen, F. Perez-Gonzales, and D. Wolfenzon, **Inside the Family Firm: the roles of families in succession decisions and performance**, *Quarterly J of Economics* 147, 647-691

- http://papers.ssrn.com/sol3/papers.cfm?abstract_id=925650
- Nguyen, B., and K. Nielsen, 2010, **The Value of independent directors: Evidence from sudden deaths**, *Journal of Financial Economics* 98, 550–567.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1342354
 - Bertrand, M., F. Kramarz, A. Schoar, and D. Thesmar, 2004, **Politically Connected CEOs and Corporate Outcomes: Evidence from France**, WP U of Chicago.
 - Pikulina, E., L. Renneboog, and P. Tobler, 2014, **Overconfidence, Effort and Investment**, WP Center.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2282443
 - Bertrand, M. and A. Schoar, **Managing with Style**, *Quarterly J of Economics* 143, 1169-1208. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=376880

4.8 Entrepreneurial Finance (T. Vanacker)

Mandatory Readings:

- Robb, Alicia M., and David T. Robinson. "The Capital Structure Decisions of New Firms." *Review of Financial Studies* 27, no. 1 (2014): 153-179.
- Cassar, Gavin. "The financing of business start-ups." *Journal of Business Venturing* 19, no. 2 (2004): 261-283.

Recommended Reading:

- Cumming, Douglas J., **Publishing in Finance versus Entrepreneurship/Management Journals** (June 5, 2015). Forthcoming in Tim Clark, Dave Ketchen, and Mike Wright, eds., "How to Get Published in the Top Management Journals". Available at SSRN: <http://ssrn.com/abstract=2615118>
- Cosh, Andy, Douglas Cumming, and Alan Hughes. "Outside Entrepreneurial Capital." *The Economic Journal* 119, no. 540 (2009): 1494-1533.
- Hsu, David H. "What do entrepreneurs pay for venture capital affiliation?" *The Journal of Finance* 59, no. 4 (2004): 1805-1844.
- Denis, David J. "Entrepreneurial finance: an overview of the issues and evidence." *Journal of Corporate Finance* 10, no. 2 (2004): 301-326.

5. Course Materials

All course materials (mandatory reading) will either be made available on Minerva (the university's web-hosting program) or can be downloaded from ssrn.com via a weblink posted on this website.

6. Evaluation of Student Performance

The final grade will be determined by:

- Take home assignment: the writing of a research proposal (20% of the final grade) (K. Mulier)
- Take home assignment: The writing of a research proposal of 6-10 pages (40% of the final grade) (L. Renneboog)
- Class participation (including the presentations, 40% of the final grade)