

Ayla Kayhan

Office:

Department of Finance CBA 6.222
Red McCombs School of Business
University of Texas at Austin
1 University Station B6600
Austin, TX 78712
Tel: (512) 471-5797
Fax: (512) 471-5073

Home:

1628 West 6th Apt J
Austin, TX 78703
Tel: (512) 474-9798
Cell: (512) 785-4995
E-mail: akayhan@mail.utexas.edu
Web: www.mcombs.utexas.edu/faculty/ayla.kayhan

Education:

1998 – Present Red McCombs School of Business
University of Texas at Austin
PhD. Candidate, Finance
Expected graduation date: May 2004

1993-1997 Koc University, Istanbul, Turkey
B.S., Mathematics; B.A., Economics

Research Interests:

Corporate finance, corporate governance, capital structure, managerial entrenchment.

Working Papers:

“Managerial Entrenchment and the Debt-Equity Choice,” 2003.
“Firms’ Histories and their Capital Structure,” 2003 (joint with Sheridan Titman).

Research in Progress:

“Do Firms Target their Credit Ratings?” 2003 (joint with Sheridan Titman).

Teaching Experience:

Instructor, The University of Texas at Austin: taught upper division courses for undergraduate finance majors. Most recent Instructor Rating: 4.3/5

- *Business Finance* (FIN 357); Summer 2001, Summer 2003, Fall 2003 and scheduled to teach in Spring 2004.
- *Money and Banking* (FIN 354); Summer 2000.

Teaching/Research Assistant, The University of Texas at Austin: assisted in teaching of undergraduate, master and PhD level finance courses

- Fall 1998-Spring 2003.

Conference and Paper Presentations:

“Firms’ Histories and their Capital Structure”,

- Presented at NYU, October 2003 (by coauthor).
- Presented at FMA, 2003, Denver.
- Presented at the Special Doctoral Student Seminar, FMA, 2003, Denver.
- Presented at First Annual UBC Finance Conference, August 2003 (by coauthor).
- Presented at Koc University, Turkey, December 2002.
- Presented at University of Texas at Austin, April 2002.

“Managerial Entrenchment and the Debt-Equity Choice”,

- Accepted for presentation at the 2003 meeting of the Southern Finance Association, Charleston.
- Presented at University of Texas at Austin, November 2003.
- Presented at the Doctoral Consortium, FMA, 2003, Denver.

Awards Received:

FMA Doctoral Consortium Fellow, 2003.

Eugene and Dora Bonham Memorial Fund, 2003.

Departmental Fellowship, 2000-2001.

Summer Tuition Fellowship, 1999, 2000.

Cooper Fellowship, 1998-1999.

Vehbi Koc Scholarship, 1993-1997.

Professional Activities:

Member, American Finance Association and Financial Management Association.

References:

Sheridan Titman

University of Texas at Austin
Red McCombs School of Business
Department of Finance
1 University Station B6600
Austin, TX 78712
(512) 232-2787

Robert Parrino

University of Texas at Austin
Red McCombs School of Business
Department of Finance
1 University Station B6600
Austin, TX 78712
(512) 471-5788

Andres Almazan

University of Texas at Austin
Red McCombs School of Business
Department of Finance
1 University Station B6600
Austin, TX 78712
(512) 471-5856

Jay Hartzell

University of Texas at Austin
Red McCombs School of Business
Department of Finance
1 University Station B6600
Austin, TX 78712
(512) 471-6779

Dissertation Abstracts

Ayla Kayhan
University of Texas at Austin

Kayhan, A., 2003, “Managerial Entrenchment and the Debt-Equity Choice”

Abstract – This paper examines how managerial entrenchment, defined here as the extent to which managers can act in their self-interest, influences the levels of and changes in debt ratios. Consistent with prior research, I find that entrenched managers prefer lower leverage. Analyses of financing decisions indicate that they achieve lower debt ratios by issuing more equity and retaining more profits. Debt issuance, however, does not appear to be influenced by entrenchment. Examination of leverage changes suggests that increases in debt ratios in response to external financing needs are similar for all types of managers. Finally, building on the documented market timing effect on capital structure, I find that entrenched managers are more likely to issue equity following increases in stock prices.

Kayhan, A. and S. Titman, 2003, “Firms’ Histories and their Capital Structure”

Abstract – This paper examines how cash flows, investment expenditures and stock price histories affect corporate debt ratios. Consistent with earlier work, we find that these variables have a substantial influence on capital structure choices. However, in contrast to previous conclusions, the influence of these variables tends to dissipate over time. Specifically, we find that market timing behavior (i.e., issuing equity when stock prices are relatively high) has only a weak effect on observed debt ratios but that stock price changes and firms’ financial deficits have relatively strong effects on capital structures that persist for quite some time. However, the evidence suggests that these effects partially reverse, and that over long periods of time firms make financing choices that move them towards their target debt ratios.

Kayhan, A. and S. Titman, 2003, “Do Firms Target Their Credit Ratings?” (in progress)

Abstract – This paper examines firms’ credit ratings as a proxy for their capital structure. Specifically, we argue that while the leverage ratio provides a limited set of information, credit ratings reflect not only firms’ debt-equity mix (asset protection), but also their cash flow adequacy (interest coverage ratio), profitability and efficiency (return on assets, on equity, or on permanent capital). In contrast to prior literature that focuses on explaining firms’ target leverage ratio and its relation to firms’ prior cash flow and investment performance, we examine how firm characteristics are related to the credit ratings and the extent to which firms’ prior performance affects their credit rating targets.