

# Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

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Advisor:	<b>Jiri Novak, Ph.D.</b>
Title of the thesis:	<b>Capital Structure: Testing Pecking Order Theory and Static Trade-Off Theory in the Current Crisis</b>

## **OVERALL ASSESSMENT** (provided in English, Czech, or Slovak):

The author of the Master Thesis focuses on the issue of capital structure and the effect of the recent financial and economic crisis on the choice of the capital structure. The Master Thesis provides a brief introduction into the institutional setting of the crisis, describes the individual capital structure theories, and provides an overview of the abundant empirical literature. Based on that, the author formulates four hypotheses which are then tested on a sample of 60 U.S. companies in the period 2007 – 2009. The author applies three different capital structure models, namely the pecking order model, the dynamic partial-adjustment trade-off model, and the conventional model.

I believe that the Master Thesis meets well all criteria for master theses. The author selects a relevant topic which reflects the latest events on the financial markets. The Master Thesis is well structured. The author reviews abundant literature on the topic and builds on it well in her own research. An extensive work is performed in terms of the hypotheses testing given the magnitude of models applied. Minor adjustments are adopted so that the latest findings and observations are incorporated in the models so far applied.

My concern relates to the data sample used for the analysis. It is not thoroughly described what is the population of companies from which the sample is drawn and what is the date of the data collection. Also, the sample is reduced to only those companies which have financial results reported for 2009 which might be quite a limited proportion of the whole population in case that the sample is created in the first quarter of 2010. The analysis might yield more robust results if a longer time span of the observations is taken into account. Given the focus of the current research on the U.S. companies, performing similar analysis on European data might be interesting. The Master Thesis suffers from negligible shortcomings in terms of grammar and stylistics, number formatting, typos or repetition of the same argumentation on several places of the Thesis. These shortcomings could be easily mitigated by having the text proofread.

Overall I recommend the highest grade for the Thesis.

## **SUMMARY OF POINTS AWARDED** (for details, see below):

<b>CATEGORY</b>		<b>POINTS</b>
<i>PET Literature</i>	<i>(max. 20 points)</i>	20
<i>Methods</i>	<i>(max. 30 points)</i>	28
<i>Contribution</i>	<i>(max. 30 points)</i>	23
<i>Manuscript Form</i>	<i>(max. 20 points)</i>	15
<b>TOTAL POINTS</b>	<i>(max. 100 points)</i>	<b>86</b>
<b>GRADE</b>	<b>(1 – 2 – 3 – 4)</b>	<b>1</b>

**NAME OF THE REFEREE: Petra Kolouchová**

**DATE OF EVALUATION: 13 June 2010**

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**Referee Signature**