

Report on Bachelor/Master Thesis

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

Student:	Miroslava Vicol
Advisor:	Jiri Novak
Title of the thesis:	Capital Structure: Testing Pecking Order Theory and Static Trade-Off Theory in the Current Crisis

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

The Thesis investigates how the recent financial crisis affected the choice of capital structure in 60 US companies. In particular it contrasts two competing models that aim to predict the choices of the capital structure, namely the pecking order and the trade-off theory. The author concludes that dynamic partial-adjustment model of the trade-off theory seems to explain better the choice of capital structure than pecking order theory.

I find the Thesis well written; the author clearly passes through all the checkpoints of defining the problem, reviewing the existing literature and formulating testable hypotheses, choosing a suitable methodology, producing results and drawing conclusions from these. The individual parts are well integrated and the treatment of the individual concepts is consistent throughout the paper. The paper is well structured and it follows all the standards for a Master's Thesis.

I find the research questions quite interesting; the choice of the capital structure is certainly an important question in corporate finance. At the same time, substantial research has already been done on the issue, which means that the author's topic is not quite original. Nevertheless, the emphasis on the effect of the crisis, which makes the Thesis distinct from prior work.

Literature review is rather extensive and includes a very good discussion of the different pieces of research that are relevant for this work. For the most part, it is also well organized and integrated. I believe that the author is able to formulate clear conclusions about the state of the knowledge and she is able to make use of the literature review to formulate the hypotheses.

The choice of methodology is based on prior work and it seems to be suitable for analyzing the chosen research question. The author does well in discussing the methodology choices. I appreciate that the sample is taken from US data, which indicates that the author made the effort to produce results that would be as generalizable as possible given the delimitations. The choice of US data is well motivated.

The results are presented in a clear manner and they seem to be linked clearly to the conclusions. The results also clearly ratge the hypotheses that are spelled out earlier.

Overall, the Thesis has a clearly defined ambition and it is based on a rigorous analysis of the specified research question. My objections are minor and therefore I recommend the highest grade for the Thesis. I also recommend the committee to consider giving distinctions (pochvala) to the author.

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

CATEGORY	POINTS
Literature (max. 20 points)	18
Methods (max. 30 points)	26
Contribution (max. 30 points)	24
Manuscript Form (max. 20 points)	20
TOTAL POINTS (max. 100 points)	88
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Jiri Novak

DATE OF EVALUATION: 8 June 2010

Referee Signature