IRINA STEFANESCU

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Country of citizenship: Romania Visa Status: F1

Research Interests

• Corporate finance, Capital structure, Valuation, Taxes, Financial Reporting, Mergers and acquisitions

Education

- Ph.D. in Finance, University of North Carolina at Chapel Hill, expected August 2006 Thesis: Capital structure decisions and corporate pension plans Committee: Anil Shivdasani (chair), John Graham, Paolo Fulghieri, Matthias Kahl, and Wayne Landsman
- M.A. in Economics, University of Tennessee, Knoxville, August 2000
- B.A. in Business Administration, Academy of Economic Studies, Bucharest, Romania, August 1996

Dissertation

"Capital structure decisions and corporate pension plans" (job market paper)

This paper addresses the capital structure puzzle that many firms appear to be underlevered from a tax savings perspective. More specifically, this paper examines the capital structure implications of sponsoring corporate pension plans and finds that firms are significantly less underlevered once off balance sheet pension obligations are accounted for. I treat corporate pension plans as fully owned subsidiaries and I find that sponsoring companies are 35% more levered on consolidated accounts. I calculate marginal tax rates by explicitly taking into account the effect of pension contributions on taxable income and I find that the tax benefits of debt are 47% larger once pension debt is accounted for. I also estimate that the underleverage gap closes by 31% due to pension deductions. Additionally, I provide evidence that sponsoring companies use less debt on average than do comparable, non-sponsoring companies. Regression analysis indicates that a \$1 increase in the pension obligation decreases the amount of balance sheet debt by 36 cents. Overall, the results not only provide a partial resolution of the previously documented underleverage gap but they also suggest that failure to account for the off balance sheet pension liabilities can induce biases in tests of capital structure theories.

Other Working Papers

"Industry competition and the revelation of fraud" with Eitan Goldman (working paper), October 2005

In this paper we investigate the impact of the announcement of fraud on the rivals of the fraud firm. Using a simple extension of the Cournot model we show that rival firms may either suffer or benefit from the announcement of fraud. On the one hand they may benefit due to the expectation that the fraud firm will be less able to compete in the product market. On the other hand they may suffer if the announcement leads shareholders to revise downward their assessment of industry profits. Using our model we derive several theoretical and empirical implications regarding the cross sectional impact of the announcement. We test our hypothesis and find support for these predictions.

"The merger arbitrage puzzle" with Eliezer Fich (working paper), August 2004

In this paper we show that when bidders are in the S&P 500 Index, risk arbitrage portfolio returns are over 80 percent larger than when they are not. Contrary to our expectations, we also find that acquisitions by S&P 500 buyers are more likely to be completed, and take less time to complete, than are deals by different buyers. We try to make sense of these results by investigating whether they conform to market efficiency. We find share price run-ups followed by price reversals in stock mergers, suggesting that the buyers' short-run demand curve exhibits inelastic behavior, conforming Scholes' (1972) price-pressure hypothesis.

Conference Presentations

"Capital structure decisions and corporate pension plans":

- European Finance Association (EFA, Moscow 2005)
- Financial Management Association (FMA, Chicago 2005)
- FMA (Chicago, 2005) and EFMA (Milan, 2005) doctoral seminars

"The merger arbitrage puzzle" (with Eliezer Fich):

• FMA (New Orleans, 2004) doctoral seminar.

Fellowships and Awards

- University of North Carolina at Chapel Hill, Dissertation Completion Research Fellowship 2005 2006
- The Fred J. Holly Memorial Fellowship, University of Tennessee, 1998 2000
- Pass with Commendation for Excellence the Comprehensive Exam in Microeconomics, August 1998

Teaching experience

- *Principles of financial management* (2003) at the University of North Carolina, Chapel Hill Overall rating: 4.47 / 5.00 (KFBS all faculty average: 4.34/5.00)
- Intermediate Microeconomics Theory (1999), Principles of Economics (1998) at the University of Tennessee, Knoxville

Nominated as an outstanding teacher in the College of Business Administration, 1997-1998

Other work experience

- 1995 Romanian Bank for Development, Intern
- 1996 Bucharest Stock Exchange, Romania, Intern
- 1997 EMER Associates. Ltd. (Consulting), Romania, Financial Analyst

References

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Professor Paolo Fulghieri Kenan-Flagler Business School, University of North Carolina at Chapel Hill, Chapel Hill, NC 27599 Telephone: (919) 260 - 6730 Paolo_Fulghieri@unc.edu

Professor John Graham

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