



## RAMESH K.S. RAO, PH.D.

### **CURRENT POSITION**

University of Texas at Austin

Margaret and Eugene McDermott Professor of Finance (1991 – present)

### **PAST POSITIONS**

University of Texas at Austin

Associate Dean, Graduate School of Business and Director, MBA Program,  
1997-2000

Associate Professor of Finance and CBA Foundation Fellow (1982 – 1991)

Assistant Professor of Finance (1978 – 1982)

Indiana University

Associate Instructor (1975 – 1978)

### **EDUCATION**

D.B.A., Indiana University, November 1978

Major: Finance

Minor: Economics

Work-in-depth: Quantitative Business Analysis

Doctoral Dissertation: "Three Essays in Option Pricing Theory and  
Applications"

MBA, Indiana University, 1977

Major: Finance

B. Tech. in Metallurgical Engineering, Indian Institute of Technology, Madras,  
1974

Graduated with distinction

### **RECENT RESEARCH HONORS**

*Paper entitled "Marketing Initiatives, Expected Cash Flows, and Shareholders' Wealth," with N. Bharadwaj, published in the Journal of Marketing, was chosen by the Journal's Editorial Board as finalist (top 3) for the Harold H. Maynard Award which "recognizes the Journal of Marketing article that makes the most significant contribution to marketing theory and thought within the calendar year."*

*Paper entitled "Contract Heterogeneity, Operating Shortfalls and Corporate Cash Holdings: Theory and Empirical Evidence," with Woochan Kim, chosen*



*for the Outstanding Paper Award (plaque and cash award of KW2,500,000) at the Third International Conference on Asia-Pacific Financial Markets, 2008.*

## **RESEARCH**

### **Under Second-round Review:**

- "A Precondition for Justifying the Social Optimality of the Capitalist Economic Model: The Availability of Adequate Riskless Capital," second round review, *Theoretical Economics*, a journal of The Econometric Society.
- "A Prerequisite for Achieving Accountability in Marketing: An Understanding of How a Marketing Initiative Can Create Shareholder Value," with N. Bharadwaj, second round review, *Journal of Marketing*.

### **Ready for Submission:**

- "The Efficiency of Cash Utilization and the Cross-Section of Expected Returns," with S. Chandrashekar, and Frank Tang, expected submission to the *Journal of Financial Economics* by Jan 20, 2010
- "Capital Acquisition Under Informational Asymmetry: A Screening Model that Admits Any Assumption about the Nature of Private Information and Security Space" with Vipin Agrawal, expected submission to the *Journal of Economic Theory* by Jan 30, 2010.

### **Working Papers:**

- "A Precondition for Justifying Informationally Efficient Stock Prices," with V. Agrawal
- "Contract Heterogeneity, Operating Shortfalls, and Corporate Cash Holdings," with J. Hao and W. Kim
- "The Value of the Firm as a Nexus of Heterogeneous Contracts," Posted on SSRN.
- "The Role of Common Information in Models of Information Asymmetry", with V. Agrawal

### **Published:**

- "Shareholders' Wealth-Maximizing Operating Decisions and Risk Management Practices in a Mixed Contracts Economy" with G. Gutierrez, forthcoming, *Production and Operations Management*, 2010.
- "Marketing Initiatives, Expected Cash Flows, and Shareholders' Wealth," with N. Bharadwaj, *Journal of Marketing*, January 2008.
- A Theory of the Firm's Cost of Capital: How Debt Affects the Firm's Risk, Value, Tax Rate, and the Government's Tax Claim, with Eric Stevens. World Scientific Publishing Company, 2007
- "The Firm's Cost of Capital, Its Effective Marginal Tax Rate, and the Value of the Government's Tax Claim," with E. Stevens. *Berkeley Electronic*



- Journals: *Topics in Economic Analysis & Policy*, 2006, Vol. 6, No. 1, Article 3. <http://www.bepress.com/bejeap/topics/vol6/iss1/art3>
- "Sulfur Dioxide Allowances: The Price of Pollution," with S. White. *Journal of Financial Education*, 2005. This article is also in the ICFAI *Journal of Environmental Law*.
- "The Creation of First City Financial Corporation: A Clinical Study of the Bankruptcy Process," with S. White. *International Journal of Financial Education*. This article is also published in *Principles of Corporate Renewal Casebook*, H.D. Platt and M.B. Platt, eds., University of Michigan Press.
- "Bid-ask Spreads, Informed Investors, and the Firm's Financial Condition," with V. Agrawal, M. Kothare, and P. Wadhwa. *The Quarterly Review of Economics and Finance*, Vol. 44, 2004, pp. 58-76.
- "The Effect of Deteriorating Financial Performance on Director Liability," with D. Sokolow and D. White. *Directorship*, Vol. 33, No.1, January 1997.
- "Fiduciary Duty a la Lyonnais: An Economic Perspective on Corporate Governance in a Financially Distressed Firm," with D.S. Sokolow and D. White, *Journal of Corporation Law*, Vol. 22, No. 1, fall 1996.
- "The Dividend Payouts of Private Firms: Evidence from Tax Court Records," with S. White, *Journal of Financial Research*, Vol. 17, winter 1994.
- "Shareholder Wealth Effects of Liability Limitation Provisions," with Yaron Brook, *Journal of Financial and Quantitative Analysis*, September 1994.
- "Does Limiting Directors' Liability Affect Stock Prices?" with Y. Brook, *Directorship*, April 1994.
- "Subsidization among S&Ls under the Flat Rate Deposit Insurance System: Some Empirical Estimates," with A. Burnett and Seha Tinic. *Journal of Financial Services Research*, 1991.
- "Predicting Stock Returns from Option Pricing Models: An Exploratory Investigation," with E. Ancel. *Journal of Financial Research*, 1990.
- "Estimation Risk and Adaptive Behavior in the Pricing of Options," with C.B. Barry and D.W. French, *Financial Review*, 1990.
- "Asset Pricing in a Generalized Mean-Lower Partial Moment Framework: Theory and Evidence," with Van Harlow, *Journal of Financial and Quantitative Analysis*, Vol. 24, No. 3, September 1989.
- "Mean-Generalized Coefficient of Variation Analysis and Expected Utility Maximization." With G. Boyle. *Southern Economics Journal*, July 1988.
- "Mean-Lower Partial Moment Valuation with Lognormally Distributed Returns." With W.Y. Lee. *Management Science*, April 1988.



- "Adverse Selection as an Explanation of Credit Rationing and Different Lender Types." With J. Finkelstein, W.Y. Lee, and R. Chiang. *Journal of Macroeconomics*, Vol. 6, No. 2, spring 1984.
- "Determinants of the Foreign Exchange Bias: A New Methodology." With S.D. Smith. *Current Economic and Financial Issues of the North American and Caribbean Countries*, 1983.
- "The Impact of Yield Changes on the Systematic Risk of Bonds," *Journal of Financial and Quantitative Analysis*, March 1982.
- "Option Pricing in a Lognormal Securities Market with Discrete Trading." With W.Y. Lee and J.F.G. Auchmuty. *Journal of Financial Economics*, 1981.
- "Modern Option Pricing Models: A Dichotomous Classification," *Journal of Financial Research*, spring 1981.
- "The Currency of Denomination of International Trade Contracts." With S.P. Magee. *Exchange Risk and Exposure: Current Developments in International Financial Management*, R.M. Levich and C.G. Wihlborg, eds., D.C. Heath & Co. 1980.
- "Vehicle and Non-Vehicle Currencies in International Trade." With S.P. Magee. *American Economic Review*, May 1980.
- "Risk-Neutral and Non Risk-Neutral Call Option Prices: A Synthesis," *Proceedings of the Southwestern Finance Association*, March 1978.
- "Another Look at the Use of Options Pricing Theory to Evaluate Real Asset Investment Opportunities," with J. Martin. *Journal of Business Finance & Accounting*, 1981, Vol. 8, No. 3.

## **BOOKS**

- Financial Management Concepts and Applications*. 3rd. Ed., South-Western Publishing Company, Cincinnati, OH, 1995.
- Financial Management Concepts and Applications*. 2nd. Ed., Macmillan Publishing Company, New York, November 1991.
- Fundamentals of Financial Management*. February 1989, Macmillan Publishing Co.
- Instructors' Manual for Fundamentals of Investing* by Gitman and Joehnk, Harper and Row, 1981.
- Airport Management Handbook*. With Michael Crum. Published by the Aeronautics Commission of Indiana, 1978.

## **OTHER COMPLETED WORK**

- "Book Review of Alan Shapiro's *International Financial Management*." With S.D.Smith. *Journal of Finance*, December 1983.



"Option Pricing: Does Estimation Risk Really Matter?" With V.S. Bawa. Bell Laboratories Economics Paper.

"Fixed Income Security Swaps and Holding Period Yields." With E. Hennigar. Federal Home Loan Bank Report.

"Imputing Rationality to some Common Rules-of-Thumb." Financial Management Letters, Vol. 17, No. 3, autumn 1988.

"Credit Rationing, Regulation and Financial Intermediation." (Abstract) With J. Finkelstein. Proceedings of a Conference on Bank Structure and Competition, Federal Reserve Bank of Chicago, May 1980.

"Four Popular Misconceptions about Fixed and Floating Exchange Rates." With S.P. Magee. Prepared for the Institute of Free Enterprise.

#### **EDITOR/REFEREE ROLES**

*Ad hoc Referee for: Journal of Finance, Journal of Business, Journal of Economic Dynamics and Control, Journal of Financial and Quantitative Analysis, Management Science, Journal of Business Research, Journal of Empirical Finance, Journal of Marketing. American Business Law Journal, Decision Sciences, Journal of International Business Studies, Journal of Risk and Insurance, Journal of Economics and Business, Managerial and Decision Sciences, Financial Management, Journal of Financial Education, Journal of Marketing Research, Quarterly Journal of Business and Economics, Journal of Business and Economic Studies, Global Finance Journal.*

#### **MEMBERSHIP IN PROFESSIONAL ORGANIZATIONS**

American Finance Association , Financial Management Association , Western Finance Association , American Economic Association

#### **TEACHING HONORS**

Departmental Nominee, 2010, The Academy of Distinguished Teachers.

Departmental Nominee: The Regents Teaching Award, 2009

Outstanding Faculty Award, Mexico City MBA Program. For "Extraordinary Contributions to the Enhancement of his Students' Professional Performance" (inscription on plaque), 2005

Outstanding Professor in the Option II (Executive) MBA Program, 1994, 2000

Joe Beasley Teaching Award, 1985 (MBA Teaching) (\$1000 cash plus plaque)

Jack Taylor Award for Teaching Excellence, 1987 (Teaching at all levels) (\$3,000 cash plus plaque)

Outstanding Professor Award, U.T. Graduate Business Council, 1981



Nominee: Amoco Teaching Award (university-wide), Graduate Teaching Award (University-level), etc.

CBA Foundation Award for Excellence in Education, University of Texas, presented fall 1992

## **PROFESSIONAL EXPERIENCE**

Valuation Expert in the matter of Boone v. CIGNA, April 2008.

Expert Witness on Valuation Methodologies in the American Express v. Visa et al. anitrust litigation, 2007.

Consultant, Charles River Associates on litigation-related matters, 2007.

Consultant, Duke Energy Field Services, Energy Risk Management, 2004.

Provided an Economic Evaluation for an internet-commerce project, INTEL Corporation, 1999

Advised defense counsel on the economics underlying plaintiff's lawsuit against defendants Fidelity Investments and Skadden Arps, 1997

Advisor to the CEO (on securities trading firm growth plans and business strategy), Block Trading Company, Houston, TX, summer 1997

Advised lead defense counsel in U.S. Attorney General's (New York) investigation of Prudential Bache Energy Income Funds, August 1996

Sole Valuation Expert, Bankruptcy Reorganization of First City Bancorporation, appointed by Judge Harold Abramson, Federal Bankruptcy Court, 1995

Parker and Parks, LLP. Valuation Issues Related to Concrete Manufacturing Company.

Designed in-house programs for Enron Capital and Trade (ECT); advised Enron on other matters relating to the firm's financial performance

Project Manager, Cisco-University of Texas "Internet Economy Indicators" Project

Provided advice on Tax Shield Valuation Issues for Burlington Northern Railroad

Expert analysis of international arbitrage transactions involving major international banks, for Oppenheimer, Blend, Harrison, and Tate

Provided corporate valuation of bankrupt firm for the Law Offices of Baker and Botts

Program Committee Member and Speaker, 1990 Valuation of Assets in Bankruptcy Conference, University of Texas Law School

Expert Witness, Federal Bankruptcy Court, Fort Worth, Valuation of Corporate Equity under Bankruptcy Plan Provisions, September 1988

Conducted valuation of corporation under dissolution for Financo, Inc.



Federal Home Loan Bank of Indianapolis, June-August 1976

Project involved the development of decision rules for fixed-income security swaps based on the Bank's expectations of future interest rates.

Aeronautics Commission of Indiana, July 1977-June 1979

This project was funded by the Indiana State Legislature and involved an in-depth investigation of current airport management (finance, accounting, safety, logistics, and compliance of federal and state laws) practices. Detailed recommendations were made.

Internship Trainee, various time periods:

Tata Iron and Steel Company

Bharat Heavy Plates and Vessels

Brief training programs for special metallurgical skills.

Advised the Office of the Attorney General of New Mexico, Economic Crimes Division, July-September 1980

Project involved advising the Attorney General's office and negotiating on his behalf in a leveraged lease arrangement between a public utility company and a major national bank.

Consultant, Technology Futures, Inc.

Advised the President, SACHEM, Inc., on long-term corporate strategy

Served on the Board of Directors, Aerobitronics, Inc. and S.G.T. International

Conducted a three-day program "Finance for Non-Financial Managers" for U.T. Austin

Associated Press Interviews, Bloomberg New Wire, National Public Radio, etc.

### **RECENT SPEAKER INVITATIONS (ACADEMIC-INTERDISCIPLINARY)**

The Fourth Mini-Conference on Integrated Risk Management in Operations and Global Supply Chains, Washington University, St. Louis, June 2007

Integrated Finance and Operations Management Workshop, Carnegie Mellon University, August 21-22, 2006

### **OTHER SPEAKER INVITATIONS**

Invited Speaker, The Board Room, Austin Diagnostic Clinic Medical Panel, on Financial Aspects of Hospital Management, 2009.

Speaker, summer 2003, ITESM Ph.D. Students Seminars; also invited to present a talk in Mexico City on Bank v. Public Lending, 2003.

Delivered three talks entitled "Financial Management Update" for Enron Corporation, summer 1995. Over 300 Enron employees signed up to attend.



Invited by the Measurement and Evaluation Center to address the new faculty of the University of Texas, 1991.

Panelist and Speaker, Economic Aspects of Bankruptcy, Conference on the Valuation of Assets in Bankruptcy, University of Texas School of Law, 1989.

Speaker, Management Institute, University of Texas at Austin, October, 1989.

Speaker, Arthur Young Seminar on Investment Principles, Dallas, August 1984.

National Seminar Speaker, Arthur Young and Company, Reston, Virginia, October 1984.

Paper "Estimation Risk and Adaptive Behavior in the Pricing of Options," presented (by co-author) at the NBER-NSF Seminar on Bayesian Inference in Econometrics, May 1980.

Invited Speaker, Finance Seminar Series, New York University, February 1980.

Invited Panelist and Lead speaker, Financial Management Association, session on "Bond Portfolio Management and Measurement," New Orleans, October 1980.

Invited speaker at the "Conference of Exchange Risk and Exposure," Sponsored by the Salomon Brothers Center for the Study of Financial Institutions, New York University, February 1979.

Invited speaker in the "Quantitative Methods in International Economics Seminar," University of Chicago, February 1979.

Invited to present papers at the University of Chicago, Texas A&M University, the University of Houston, and Southern Methodist University.

Speaker, International Business Machines, Austin and Boca Raton.

Seminar Speaker, "Financial Aspects of CAD-CAM Implementation," Texas Instruments, Inc.

Speaker, Sierra Geophysics, Houston, on financial analyses of computer hardware/software investments.

#### **PARTICIPATION IN EXECUTIVE EDUCATION PROGRAMS**

Taught in the UT-Mexico City MBA Program, Mexico City, 2002-  
Management Development Programs, University of Texas at Austin, 1979-  
Present

Participate regularly in midlevel management programs offered by the university to corporate executives.



Organized and conducted several sessions of executive education program for CEMEX Corporation, Monterrey, Mexico, 1993.

Speaker, Halliburton Mid-management Program, Singapore, Batam, Indonesia, July 1991.

Arthur Young and Company, July 1984, Conducted in-house educational programs for partners.

International Management Program for Oilfield Related Businesses, Abidjan, Ivory Coast of Africa, January 1983.

Speaker, Fourth International Management Program at Cranfield, Cranfield, U.K., August 1982.

Participant, Management Development Program, Singapore (in Cooperation with the National University of Singapore), May 1981.

Speaker, Third Annual International Management Program for Foreign National and Expatriate Managers of Oil Field-Related Companies, Penang, Malaysia, May 1981.

Designed, developed, and conducted courses in Foreign Exchange for Chase Texas Bank for almost six years.

## **MISCELLANEOUS**

Chair of Panel on Financing at the "Doing Business in India: the Texas Connection" Conference, sponsored by the College of Business and the Institute of Constructive Capitalism, Fall 1996.

Awards Panel for Financial Management Association, Investments Papers.

Member, Program Committee, Financial Management Association.

Outside reviewer, faculty research proposals, University of Houston

Outside Evaluator for Promotion and Tenure for candidates: University of Colorado, Denver, University of Virginia, University of New Mexico, Temple University, and Georgia Tech.

Appointed Fellow of the Institute for Constructive Capitalism, 1984.

Paper Reviewer, Second Annual Texas Symposium, Rice University, Texas, 1990.

## **THESIS SUPERVISION**

### **Doctoral Thesis Supervision**

As Chairman

"Three New Tests of Efficient Markets." Satyajit Chandrashekar, 2006.

"Three Essays on the Impact of Informational Asymmetry on the Firm's Investment, Financing and Payout Policies Under Arbitrary Output Distributions." Vipin Agrawal.



- "Market Structure, Default Risk, and Swap Spreads: International Evidence." Frank Fehle, dissertation co-chaired with Sheridan Titman, May 1999.
- "Organizational Form and Firm Values: The Case of Captive Finance Subsidiaries." Atul Gupta, 1985.
- "Asset Pricing in a Mean-Generalized LPM Framework: Empirical Tests." Van Harlow, 1986.
- "Estimates of the Statistical Parameters of Stock Returns Implied by the L-R-A Options Model." Esther Ancel, 1985.
- "Tax Penalty Implications of Dividend Policy and Regulatory Influences on Merger Activity." S. White, 1990.
- "Bonding in Financial Contracts: The Role of 'asset specificity.'" M. Baur, 1991.
- "The Valuation of Debt Provisions." Eric Stevens, June 1994.
- "Corporate Governance: A Study of Director Liability, Firm Performance and Shareholder Wealth." Yaron Brook, June 1994.
- "Choice of Corporate Capital Structure in Imperfect Product Markets." Venkat Subramaniam, 1994.

**As Committee Member**

- Relationship Lending in the Mexican Small-Business-bank Interaction, Fernando Moya, ITESM, Mexico City.
- "On the Market Price of Volatility Risk." James Doran, 2003.
- "Market Structure, Default Risk and Swap Spreads: International Evidence." Frank Fehle, 1999.
- "On the Cost of False Signaling: The Reputation of the Investment Banker and the Economic Consequences of Litigation Activities." Beom-Sik Jang.
- "The Role of Liquidity in Financial Markets." Pavan Wadhwa, 1995.
- "An Empirical Evaluation of the Information Content of Annual Capital Expenditure Disclosures." David Mest (Accounting), 1994.
- "Management Compensation and the Performance of the Firm: An Empirical Analysis." Kenneth Wiles, 1991.
- "The Intraday Speed of Adjustment of Stock Prices to Unexpected Quarterly Earnings." C. Woodruff, 1984.
- "An Analytical and Empirical Examination of Economic Determinants of the Auditor Reporting Decision." Jack Wilkerson, (Accounting) 1984.
- "The Information Content of Management Forecasts as Reflected in Option Prices." Jean-Marie Hudson, (Accounting) 1984.
- "Two Aspects of the Theory of Delegated Portfolio Management." L. Misra, 1985.



"The Behavior of the Foreign Exchange Rate." Ilseong Yu, 1988.

**Masters Theses Supervision**

"Corporate Restructuring: Cost Benefit Analysis." R. Wongso, 1987.

"Capital Budgeting: Applications of the Pure-Play Technique." L.F. Gutierrez Rocca, 1986.

"Recent Innovations in the Financial Markets: A Closer Look at Five Contracts." M. Babalian, 1984.

"Hedging via Forward Exchange Markets: Empirical Evidence." F. Antonelli, 1983.

"Prior and Posterior Analysis and the Binomial Option pricing Formula." K. S. Wong, 1980.

"The Declining Role of Compensating Balances as a Component of Loan Pricing." M. Hefner, 1980.

"Equipment Leasing Implications for the Lessee." M. Roquemore, 1980.

"Investment Decisions Under Conditions of Inflation." B. Coats, 1980.

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**CONTACT INFORMATION**

Ramesh K.S. Rao Ph.D.  
Department of Finance  
The University of Texas at Austin  
Austin, TX 78712

Phone: 512.703-4600  
Fax: 512-703-4603  
Email: rrao@finsch.com

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