Dynamic bankruptcy procedure with asymmetric information between insiders and outsiders

Michi Nishihara, Takashi Shibata

PII: S0165-1889(18)30075-7
DOI: 10.1016/j.jedc.2018.02.006
Reference: DYNCON 3560

To appear in: Journal of Economic Dynamics & Control

Received date: 1 September 2017
Revised date: 14 December 2017
Accepted date: 5 February 2018

Please cite this article as: Michi Nishihara, Takashi Shibata, Dynamic bankruptcy procedure with asymmetric information between insiders and outsiders, Journal of Economic Dynamics & Control (2018), doi: 10.1016/j.jedc.2018.02.006

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.
Dynamic bankruptcy procedure with asymmetric information between insiders and outsiders

Michi NISHIHARA†, Takashi SHIBATA‡

Abstract

We develop a dynamic model in which a distressed firm optimizes the bankruptcy choice and its timing. When the distressed firm’s shareholders sell the assets, they are better informed about the asset value than outsiders are. Most notably, we show that this asymmetric information can delay the asset sales to signal asset quality to outsiders. More debt and lower asset value can reduce the signaling cost and mitigate the asset sales delay. We also show that the firm changes the bankruptcy choice from selling out to liquidation bankruptcy when the signaling cost associated with selling out is high. This distortion in the bankruptcy choice greatly lowers the debt value, whereas it has a weak impact on the equity value.

JEL Classifications Code: D82; G13; G33.

Keywords: bankruptcy; adverse selection; asymmetric information; signaling game; real options; M&A.

†Corresponding Author. Graduate School of Economics, Osaka University, 1-7 Machikaneyama, Toyonaka, Osaka 560-0043, Japan, E-mail: nishihara@econ.osaka-u.ac.jp, Phone: 81-6-6850-5242, Fax: 81-6-6850-5277
‡Graduate School of Social Sciences, Tokyo Metropolitan University, 1-1 Minami-Osawa, Hachioji, Tokyo 192-0397, Japan, E-mail: tshibata@tmu.ac.jp, Phone: 81-42-677-2310, Fax: 81-42-677-2298
دریافت فوری
متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات