DISENTANGLING THE INFORMATION STRUCTURE IN THE BANKRUPTCY LIQUIDATION AUCTIONS

Understanding the information structure in bankruptcy liquidations is important for designing the optimal bankruptcy and financing market. In this paper, I construct a novel comprehensive bid-level bankruptcy liquidation auction data and structurally estimate the buyers' information structure using an auction model. I show that valuations for tangible assets depend relatively more on public quantifiable benchmarks, intangible assets on private valuation, and financial assets on common valuation not captured by public benchmarks. I text-analyze the appraisal reports with a transformer-based model and show how heterogeneous information production and bankruptcy liquidation frictions (quality management, relocation cost, and misallocation) contribute to such heterogeneity. Simulation results show that the cost of misallocation is high (16.89%) for intangible assets compared to tangible assets (5.6%). Overall, my results suggest that tangible assets should be liquidated promptly to avoid maintenance failure, while intangible assets require a longer liquidation period to avoid misallocation costs, and financial assets should be financed by investors with expertise.

10 January 2024 (Wednesday)
2:30-4:00pm

SEK206, 2/F, Simon & Eleanor Kwok Building
English

SPEAKER

MS. YUAN SHI
PHD STUDENT
UNIVERSITY OF MICHIGAN

Yuan Shi is a PhD student from the University of Michigan, Ross School of Business. She works on empirical corporate finance, with a special focus on bankruptcy, big data, entrepreneurship, and the private market. She applies a wide range of empirical methodologies, including machine learning, structural estimation, and reduced-form methods. Her job market paper studies the information structure of the corporate bankruptcy liquidation market. The paper has been presented at major conferences, including AEA and FMA, and has won the semi-finalist for best paper award at FMA 2023.

For enquiries, please contact 2616-8373 or by email (hkibs@ln.edu.hk).
Due date: 11 January 2024

Liberal Arts Education • Transformation For Life
博雅教育 成就一生