

Finance for Entrepreneurs & Startups

Course Details

Course Designator & Number: LNDN 3259/BUSN 3387

Number of Credits: 3

Language of Instruction: English

Contact Hours: 45

Instructor: Dr. Kenny Tang

Office Hours/Contact Info: kenny.tang@outlook.com, by appointment

Course Description

This course provides an understanding of how new ventures founded by entrepreneurs obtain financing in their quest to expand. In a global world dominated by high tech ventures of the likes of Apple, Amazon, Facebook, Netflix, Google, Alibaba, and TenCent to name but a few, how do these ventures become so successful in the marketplace and have a market value worth in excess of hundreds of billions of dollars? Apple is the world's 1st \$2 trillion company. The course exposes you to the opportunities and risks associated with new entrepreneurial ventures, how to obtain financing, who are the venture capital investors, and the stages of a successful venture.

Localized Context: With its global presence, CAPA offers the opportunity to enrich your academic experience by exposing and exploring the localized context of the CAPA London Centre. London is the leading venture capital of Europe and second only behind Silicon Valley as a world-renowned venture capital center.

London has the benefit of being host to the financial center of the City of London with a host of world-class universities in London such as University College London, Imperial College, and London School of Economics producing world class research. Together with the cities of

Cambridge and Oxford, London is at the heart of the Golden Triangle of leading universities, entrepreneurs and a global financial center.

You will be expected to develop and expand your understanding of this local context of the UK's role in the global and European venture capital marketplace. The "Business Plan for New Venture" project provides you an opportunity to explore the opportunities for creating a new venture in this localized context and to demonstrate your learning outcomes from this unique opportunity provided through studying Entrepreneurial Finance at the CAPA London Centre while the "Group Pitch to Investors" hopes to simulate the tension of a real live pitch for funds to investors.

Course Objectives

The broad aims of the course are to provide you with:

- the necessary understanding of how startups work,
- how entrepreneurs raise venture capital through successive financing rounds,
- how startups are valued from a financial valuation perspective, and
- how new venture and entrepreneurial finance fits with global financial markets.

In addition, the course will:

- support student learning through site visits to entrepreneurial ventures and financial centers and
- provide an in-depth understanding of the process and techniques used to make venture investment decisions.

Learning Outcomes

After taking this course, you should be able to:

- a. Gain a broad understanding of the key issues in entrepreneurial and venture finance for entrepreneurs and startups.
- b. Develop an understanding of the political and economic context within which venture finance operates.
- c. Apply the various theoretical aspects of the principles of finance in a venture finance context.
- d. Gain a good working knowledge of the key issues for startups and their impact in an international context.
- e. Develop a real insight through working on a business plan for a new venture.
- f. Gain experience of pitching a business plan for funds to investors.

Developmental Outcomes

You will develop the following skills during this course:

- a. Problem analysis
- b. Critical thinking
- c. Working independently and as part of a team
- d. Personal reflection
- e. Goal orientation
- f. Self-confidence

Methodology

This class will be participative and will require you to contribute individually and as part of a team. The course content and delivery will create a framework where you reflect critically on the class discussion topics. You will be expected to devote an hour per day keeping up with the current issues in venture finance and new startups. (Expected reading sources should include *The Economist*, *Financial Times*, and *The Wall Street Journal*). The teaching and learning methods will be a blend of the following:

- Lectures
- Reflections and observations
- Readings on current topics
- Class discussions
- Student presentations and/or working on a business plan
- Live group pitch for funds to external investors

Experiential Learning & Field Visits

CAPA provides the unique opportunity to learn about the city through direct, guided experience. Participation in field activities for this course is required. You will actively explore the Global City in which you are currently living. Furthermore, you will have the chance to collect useful information that will be an invaluable resource for the essays/papers/projects assigned in this course.

Networking, Conferences, & Mini-Career Sessions

Faculty will regularly inform you of relevant venture finance and investment conferences, webinars, events, and networking sessions (including early evening networking receptions) during the semester when you will be able to network with industry professionals and leading

players in venture and entrepreneurial finance. A mini career session will be held during the semester.

Course Prerequisites

You must have a business background and have taken an introductory finance course. The course emphasizes this academic area from a global perspective. Students with a high degree of motivation and desire to learn about the financial world of startups and their impact on international and global aspects of business will benefit from this course.

Required Reading / Materials

- Leach, J. C., Melicher, R. (2018) – Entrepreneurial Finance (Cengage, 6th Edition) ISBN 9781305968356.
- J. Chris Leach, Ronald Melicher (University of Colorado at Boulder), Published: © 2018, Print ISBN: 9781305968356. Pages: 752

It is fine to use later editions or online versions of the textbook. You could obtain used copies of the book at substantial discounts through the online marketplace. The book is also available for electronic download through the publisher.

The international financial and new venture sections of the *Wall Street Journal*, *Business Week*, *the Economist*, and *Financial Times* are recommended reading for this course. Students should either have a subscription, or access, to a copy of these publications. Other readings relevant to the subject matter being discussed will be assigned during the semester. References taken from Wikipedia are not acceptable.

Recommended Readings

Students are advised to review assignments and readings. If you do not have access to sufficient additional resources from your home institution to complete the coursework for this class, you may request access to other online library resources.

Grading

Grading Rubric

Letter Grade	Score or Percentage	Description
A	93–100	Achievement that is outstanding relative to the level necessary to meet course requirements.
A-	90–92	Achievement that is significantly above the level necessary to meet course requirements.
B+	87–89	
B	83–86	
B-	80–82	Achievement that meets the course requirements in every respect.
C+	77–79	
C	73–76	
C-	70–72	Achievement that is worthy of credit even though it fails to fully meet the course requirements.
D+	67–69	
D	60–66	
F	0–59	Represents failure (or no credit) and signifies that the work was either (1) completed but at a level of achievement that is not worthy of credit or (2) was not completed and there was no agreement between the instructor and the student that the student would be awarded an I.

Summary of How Grades Are Weighted

Assignments	Percentage of Grade
Class participation and small group discussion	10%
Group pitch to investors	20%
Midterm exam	20%
Preparation of "Business Plan for New Venture"	20%
Final exam	30%
Overall grade	100%

Assessment Details

Mid-Term & Final Exams

The mid-term and final exam consist of either short questions with open answers on topics covered in class to date (60 minutes) and/or short essay writing on thematic clusters (90 minutes). More elaboration and instructions will be provided by the Instructor after the first class.

Assignments

Students must complete all required components for this course by the established deadlines. Failure to do so will result in a reduction of the course grade and may result in a grade of F for the course in question.

Group Pitch to Investors: Unit 13

For the Group Pitch to Investors, each group (up to 5 students) will work on a business plan pitch for funds to new investors. Provide an outline of your chosen business venture, the Unique Selling Proposition, amounts of funds needed, etc. Please note that this presentation is

a group effort and should be limited to 15 slides and 20 minutes (max). There will be a Q&A session following the presentation. You will be given oral feedback on your presentations.

Business Plan for New Venture (Submission deadline: Unit 9)

To obtain an A grade, the submission will have to meet ALL three requirements: (1) theoretical discussion; (2) good presentation of new business venture; and (3) thorough analysis. Any submissions that do not meet all the criteria will be downgraded.

All papers may be written in a style with which you are comfortable, writing in either first or third person and, if this helps your expression and organization of ideas, you may use headings to aid the structure. However, whatever style you adopt, remember that this is an academic assignment and you should cite references where appropriate to all sources. In the body of the text, references should state in parentheses, the author's family name followed by the year of publication – (Smith, 2013). At the end of the paper you must insert a bibliography containing only those works cited in the essay.

You will provide two status updates through the term (Units 5, 8) on the progress you have made to date on your "new venture" project. These updates can either be an oral or a written brief report which will enable the Instructor to provide you with the necessary guidance and feedback. It is important that you come well prepared for these status updates.

Localized Context

You are required to identify relevant new business venture ideas within the localized context of the UK and Europe to benefit from your presence in London, the UK, and Europe. These new business venture ideas should be discussed with the Instructor in advance. Preparatory work would include developing good reading sources such as the *Financial Times*, *the Economist*, and *the Wall Street Journal* to gain a better understanding of the localized context.

Course Content

Unit 1

Organizing for New Ventures

- Work on “Business Plan for New Venture”—Unit 1
- Introductions, student interests, relevant prior coursework, and experience
- Course map, format, required work and assessments
- The Successful Venture Life Cycle
- Financing Through the Venture Life Cycle
- **Readings:**
 - chapters 1, 2, and 3

Unit 2

Measuring & Evaluating Financial Performance—Part 1

- Work on “Business Plan for New Venture”—Unit 2
- The Process for Obtaining and Recording Resources for an Early Stage Venture
- Prepare Income Statement and a Basic Balance Sheet
- Prepare a Cash Flow Statement and Monitor a Venture’s Cash Position
- **Readings:**
 - chapters 4 and 5

Unit 3

Measuring & Evaluating Financial Performance—Part 2

- Work on “Business Plan for New Venture”—Unit 3
- Operating Break Even and Major Drivers on Revenues for an Early Stage Venture
- Financial Ratios to Monitor a Venture’s Performance
- **Readings:**

- chapters 4 and 5

Unit 4

New Venture Financing

- Work on “Business Plan for New Venture”—Unit 4
- Various Stages of a Successful Venture’s Life Cycle
- Venture Capital Screening Process
- Major Elements of the Venture Capital Cycle
- Conditions to be Negotiated when Structuring Venture Capital Financing
- **Readings:**
 - chapters 11 and 12

Unit 5

The Business Plan & Financial Planning

- Work on “Business Plan for New Venture”—Unit 5
- Primary Components of a Typical Business Plan for a New Venture
- Criteria to Assess New Venture’s Feasibility and its Ability to Attract External Finance
- Process of Identifying the Additional Funds Needed to Support Sales Forecasts
- Connect Sales Growth Rates to Additional Funds Needed
- **Readings:**
 - chapters 2 and 6

Unit 6

First Status Update

- Work on “Business Plan for New Venture”—Unit 6
- Business Plan for New Venture: first status update **due**

Unit 7

Midterm Exam

Unit 8

New Venture Valuation—Part 1

- Work on “Business Plan for New Venture—Unit 8
- Cash Flows and Determination of Future Venture Value
- Forecast Period and Terminal Value Cash Flows
- Hurdle Rate, Cost of Capital, and Realised Rate of Return
- Business Plan for New Venture: second status update due
- **Readings:**
 - chapters 7, 9, and 10

Unit 9

New Venture Valuation—Part 2

- Work on “Business Plan for New Venture”—Unit 9
- Use of Multipliers to Estimate the Continuing Value of a New Venture
- How to Use the Venture Capital Method of Valuation
- Understand the Impact of Future Financing Rounds of Venture Financing
- **Readings:**
 - chapters 7, 9, and 10
- Business Plan for New Venture—**Submission deadline**

Unit 10

Financial Structure & Contracts

- Group Work on “Group Pitch to Investors”—Unit 10

- How to Examine a Term Sheet and What Provisions to Expect
- Understand the Key Elements and Clauses of Investment Agreements
- Understand Why Venture Capitalists Use Preferred Shares in Financial Structures
- Influence of Financial Structure and Contracts on Upside Rewards to Entrepreneurs and Investors
- **Reading:**
 - chapter 13

Unit 11

Due Diligence

- Group Work on “Group Pitch to Investors”—Unit 11
- Definition of Due Diligence
- Understand the Due Diligence Process
- Review Typical Due Diligence Questions
- **Readings:**
 - various readings (tbc)

Unit 12

Exit & Turnaround Strategies

- Group Work on “Group Pitch to Investors”—Unit 12
- Planning of an Exit Strategy for Entrepreneurs and Investors
- Possible Exit Outcomes of Venture Investments
- Process of Going Public
- Understand the Financial Viability of Alternative Exit Strategies
- Financial Distress Faced by Troubled Ventures
- **Readings:**
 - chapters 14 and 15

Unit 13

Group Presentation—Group Pitch to Investors

- Group presentation limited to 15 slides and 20 minutes (max). All students will present.

Unit 14

Final Exam

Policies

Attendance Policy

Students are expected to be on time and attend all classes while abroad. Many instructors assess both attendance and participation when assigning a final course grade. Attendance alone does not guarantee a positive participation grade; the student should be prepared for class and engage in class discussion. See the on-site syllabus for specific class requirements.

University of Minnesota Policies & Procedures

Academic integrity is essential to a positive teaching and learning environment. All students enrolled in University courses are expected to complete coursework responsibilities with fairness and honesty. Failure to do so by seeking unfair advantage over others or misrepresenting someone else's work as your own can result in disciplinary action. The University Student Conduct Code defines scholastic dishonesty as follows:

Scholastic Dishonesty

Scholastic dishonesty means plagiarizing; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; altering forging, or misusing a University academic record; or fabricating or falsifying data, research procedures, or data analysis.

Within this course, a student responsible for scholastic dishonesty can be assigned a penalty up to and including an "F" or "N" for the course. If you have any questions regarding the expectations for a specific assignment or exam, ask.

Student Conduct

The University of Minnesota has specific policies concerning student conduct. This information can be found [on the Learning Abroad Center website](#).