

# Finance for Entrepreneurs & Startups

## COURSE DETAILS

**Course Designator and Number: LNDN3259/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](mailto: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 1<sup>st</sup> \$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

## Field Components

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 Readings/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

<b>Letter grade</b>	<b>Score or percentage</b>	<b>Description</b>
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 meet fully 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	Learning outcomes	Due date
Class participation and small group discussion	10%	A, B, C, D	All units
Group pitch to investors	20%	B, C	Unit 13
Midterm exam	20%	A, B, C	Unit 6
Preparation of "Business Plan for New Venture"	20%	B, C, D	Unit 9
Final exam	30%	All	Unit 14
<b>Overall grade</b>	<b>100%</b>		

## 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.

CAPA has a mandatory attendance policy. Student attendance at all classes is required and expected. Attendance is taken at the beginning of every class. The first time a student has an unexcused absence for a class, their grade will not be impacted. The second time a student has an unexcused absence in that class, it will result in a 3 percent reduction of the final grade (for example: an A- [92] will become a B+ [89]). The student will be placed on academic probation at this time. Three unexcused absences per class will result in failure of the course.

## Excused Absences

Absences are only excused for medical reasons, for a family emergency or for a religious holiday. To request an excused absence, you must contact [excused.absence@capa.org](mailto:excused.absence@capa.org) ahead of time with the reason for their absence, otherwise the absence will not be excused. Even if the student knows the absence will not be excused, they should still contact CAPA to inform CAPA they will not be in class. In addition to contacting [excused.absence@capa.org](mailto:excused.absence@capa.org), it is the responsibility of the student to contact their instructor and make up any missed assignments.

## Class Participation

You need to be committed to full participation in a live community of learners, albeit online in the case of any Globally Networked Learning components, and ensure you attend class and participate fully.

You are expected to participate in all sessions and to participate actively and critically in class discussions: the participation portion of the class will be graded accordingly. You must read assigned reading BEFORE the class and arrive at the session on time.

Participation is a vital part of your grade: you are expected to participate orally in class sessions and in online forums and discussions in a critical and evaluative manner; to interact with the faculty and fellow you with respect and tolerance; and to actively engage in discussion. Derogatory or inflammatory comments about the cultures, perspectives or attitudes of others will not be tolerated.

## Academic Accommodations

Any student who feels they may need an accommodation based on the impact of a physical, psychological, medical, or learning disability should contact [Academic Affairs](mailto:academicaffairs@capa.org) at their earliest convenience at [academicaffairs@capa.org](mailto:academicaffairs@capa.org). Students requesting Accommodations must have their home institution's Disabilities Services or an appropriate licensed professional or healthcare provider submit *official* documentation directly to CAPA in a timely manner outlining their specific

needs. If the documentation is submitted by a provider other than the home institution's Disabilities Services, it must be someone familiar with the history and functional limitations of the student's disability (not a relative or family member of the student). Any required accommodations will be approved by CAPA's Vice President for Academic Affairs, in consultation with relevant Academic Directors, before being relayed to faculty. Any student who requires an accommodation based on official documentation should also discuss their needs directly with their instructor.

## **Sexual Misconduct, Required Reporting, and Title IX**

CAPA: The Global Education Network is committed to encouraging a safe and healthy environment at our seven CAPA centers. This commitment includes the understanding of, and applicable adherence to, the guidelines outlined in Title IX of the Education Amendments of 1972. Title IX necessitates that US universities provide equity in all educational programs and activities without sex discrimination. CAPA understands the implications of Title IX compliance for our institutional partners and thus endeavors to support this compliance as a vital aspect of partnership. The safety and security of all students during a program is a matter of crucial importance to CAPA. To facilitate this, CAPA encourages you to openly disclose any and all information that is Title IX relevant so that CAPA staff can provide support and connect you with appropriate resources. Because you may not understand the implications of Title IX abroad, CAPA will work to advise you about the resources available through Title IX and explain the importance of compliance in Title IX reporting. CAPA will work to build student confidence in CAPA's status as a mandated reporter by outlining the advantage of disclosure for the student, reassuring them that any information disclosed will not be used in an inappropriate manner, and stressing that individuals will only be informed on a need-to-know basis.

## **Late Submission**

Late submission of papers, projects, journal entries, pieces of homework and portfolios is only permitted with prior approval. A request for an extension must be made to the relevant faculty member no later than two days prior to the due date. Late submission without prior approval will result in a 3 percent per day deduction of the final grade. In either case, work cannot be submitted after feedback has been provided to the rest of the class on the relevant assessment or one week after the due date whichever comes first, after which point a grade of "0" will be given for the assessment.

## **Behavior During Examinations**

During examinations, you must do your own work. Unless specifically instructed by the lecturer or instructor, accessing online resources of any kind is not permitted, nor may you compare papers, copy from others, or collaborate in any way. Any failure to abide by examination rules will result in failure of the exam and may lead to failure of the course and disciplinary action.

## **Examinations**

These may take place in timed format, with all students required to undertake the exam together in a limited time, or in an open "take home" format, where a prompt will be provided in advance by faculty and you will be given a certain number of hours to complete their work. Exam questions will be made available in CANVAS at a certain time and will be removed at the end of the scheduled time.

You will write your answers directly in CANVAS or as an MS Word.doc, as required by the instructor. Where an MS Word document is required, these must be uploaded by the student via Turnitin in CANVAS by the end of the scheduled time.

## Statement of Technology

- What technology is required in the course (computer, operating system, software, webcams, internet connectivity, etc.)?
  - The use of the following applications or platforms may be required for this course: Canvas, Google Maps, Google Hangouts, Google Slides, Screencast-O-Matic, and Zoom is required in this course.
  - It is recommended for you to use a desktop or laptop computer less than six years old with at least 1GB of RAM, and to use the most recent version of Chrome or Firefox with JavaScript enabled. Internet connections should be at least 512kbps.
  - Email [AcademicAffairs@capa.org](mailto:AcademicAffairs@capa.org) regarding any concerns you have about your ability to secure reliable internet access or about any other academic technology needs.
- Any use of technology must be [compliant with FERPA](#).

## 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.