COURSE OBJECTIVE

Entrepreneurship, in the words of Paul Gompers, is “the relentless pursuit of opportunity without regard to resources currently controlled.” Entrepreneurial finance is, then, the collection of financial skills necessary to execute this apparent act of legerdemain. If one is to pursue opportunity without regard to resources currently controlled, it is necessary to be able to identify attractive business opportunities, to estimate the resources necessary to undertake these opportunities, to secure such resources on favorable terms, and to prudently manage them in pursuit of the opportunity. The aim of this course is sharpen your skills in all of these activities.

Part I of Entrepreneurial Finance covers what might be called “small business survival skills,” including assessing financial performance, financial planning, identifying external financing needs and business valuation. Part II of the course will address the issues and challenges associated with one common source of financing for entrepreneurial enterprises: venture capital. In particular, we will analyze the terms and provisions of typical venture capital agreements, critically evaluate them and examine how they can be used to address the underlying risks and opportunities facing entrepreneurs and venture capitalists. We will also examine the structure of venture capital organizations and the issues associated with initial public offerings.

Entrepreneurial Finance is intended for individuals interested in careers in small businesses, family enterprises, entrepreneurial new ventures, and private equity and venture capital investing. The course should also appeal to individuals interested in general management careers in larger companies who believe that an entrepreneurial perspective is valuable in all walks of business life.

When you complete this course you should be able to:

• Assess company financial statements to identify strengths and weaknesses.
• Prepare pro forma financial forecasts and cash budgets.
• Estimate a company’s future need for external financing.
• Value business opportunities using three techniques: discounted cash flow, comparable firms and trades, and the venture capital method.
• Critically evaluate the terms and provisions in typical venture capital agreements.
• Understand the issues associated with initial public offerings (IPO’s).

REQUIRED MATERIALS
• Cases and readings available at the bookstore under the Entre/Fin. 557 course title.
• Note that additional course materials and course announcements are available on Canvas.

RECOMMENDED MATERIALS

GRADING AND WRITTEN DELIVERABLES
Your grade will be based on the following cases and your daily class work. For cases that are turned in, you should submit your write-up in PDF format via Canvas. Please do not post Excel or Word documents to Canvas, because they are typically very time consuming to print out and decipher.

GRADING
Assignment Weight
Daily class work 25.00%
I. Hampton Machine Tools 18.75%
II. Calaveras Vineyards 18.75%
III. Apex Investment Partners Part I 18.75%
IV. Apex Investment Partners Part II 18.75%
Total 100.00%

Daily class work grades will be based on three things: 1) your presence -- it's hard to contribute to class learning when you are not there, 2) my assessment of the extent to which you helped to make the class a productive learning experience, and 3) my assessment of the depth of your command of the material.

DAILY PREPARATION AND PARTICIPATION
Most of our class time will be devoted to discussion of assigned cases. To get the most out of class and high grade, you must prepare conscientiously and participate actively in class discussions. Failure to participate robs others of your perspective and increases the chances
that the discussion will not be relevant to your interests and abilities. Furthermore, participation is an important part (25%) of your grade. Those who fail to participate actively are effectively taking a zero for a substantial fraction of their course grade. Those who participate actively and consistently by asking questions both of me and of other students, engaging in class debates and volunteering to present their solutions will receive high participation grades. Those who participate only sporadically and make only ‘off-hand’ or less substantial contributions will receive low participation grades. So please participate actively.

So what is conscientious case preparation? Read the case carefully; identify the principal issues to be addressed; attempt to analyze these issues using your common sense and any appropriate tools or techniques; and note any action recommendations implied by your analysis. Alternatively, if you find yourself hitting a roadblock, try to articulate what your problem is. Oftentimes, identifying roadblocks is as valuable as a complete analysis.

For each case assigned you will note below that I have posed one or more preparation questions. The questions play several roles depending on the case. Usually the questions are simply to help you get started on your analysis, and you should not feel constrained by them. Nor should you assume that answering all of the preparation questions necessarily constitutes a complete analysis. In other instances, I may give you additional information in the questions, or when the case is a mechanical one, I may ask you to perform specific calculations.

Do not be surprised if after conscientious preparation you still feel there are some loose ends in the case you are not certain about. If it were otherwise, there would be nothing for you to learn in class, and I would have been guilty of selecting a case that was too simple. Your test of whether you are learning the material, and progressing adequately, should be how you feel after the class discussion, not before. You are doing fine if after a class discussion you believe you could adequately handle a similar situation in the future.

If you are not prepared, please notify me before class so we can all avoid embarrassment. If you have spent several hours on the case, but still feel unsure of your opinions, count yourself prepared. If you have made the effort, you should never feel embarrassed by the result.