

Session: Semester I 2020/2021

Instructor

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Module Description

This module will provide students with a good understanding of the various aspects of funding for new or young ventures. In particular, students will gain deep understanding of the rigorous investment process and requirements of the professional investors, as well as their typical investment terms and conditions for providing funding to new or young ventures. Through the project work in this module, students will experience first-hand the difficulties and sometimes complex negotiation process with the most demanding providers of capital – the professional venture capital funds. They will be exposed to the specific requirements, investment terms and conditions that a typical venture capital fund would demand in order to mitigate its investment risks, and will also appreciate and understand how the investment terms could potentially affect an entrepreneur’s vested interest in his venture under various scenarios.

Textbook

Entrepreneurial Finance 6th Edition (Asian Edition)
J. Chris Leach & Ronald W. Melicher
Cengage Learning
ISBN: 978-981-4834-56-8

Assessments Methods

Participation	30%
Group Project	40%
Test	30%
Total	<u>100%</u>

- **Participation**

Students are expected to attend the weekly lessons and project sessions (except for certain project sessions that the instructor has allocated specifically for participation by only selected project groups). Besides weekly attendance, active and valuable participation in project work and events shall be a major consideration when awarding marks.

- **Group Project**

Students will be organized into groups to perform tasks in various project events. Full participation of every students is required, and peer appraisal towards the end of the semester will be seriously considered when awarding the final marks for each students. Although students in a project group would generally obtain the same *base score* for

project work, the final project score for each student may differ depending on the level and quality of individual verbal participation during project events.

- **Test**

The test will be closed-book, and no formula sheet will be provided and no cheat sheet will be allowed. Students should bring a financial calculator (along with a scientific calculator if desired) to the test. The test may consist of multiple-choice questions, quantitative and open-ended questions that examine the understanding and application of knowledge and concepts covered in the module.

Academic Honesty and Plagiarism

Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The University and School expect every student to uphold academic integrity and honesty at all times. Academic dishonesty is any misrepresentation with the intent to deceive, or failure to acknowledge the source, or falsification of information, or inaccuracy of statements, or cheating at examinations/tests, or inappropriate use of resources.

Plagiarism is 'the practice of taking someone else's work or ideas and passing them off as one's own' (The New Oxford Dictionary of English). The University and School will not condone plagiarism. Students should adopt this rule - You have the obligation to make clear to the assessor which is your own work, and which is the work of others. Otherwise, your assessor is entitled to assume that everything being presented for assessment is being presented as entirely your own work. This is a minimum standard. **In case of any doubts, you should consult your instructor.**

Additional guidance is available at:

<http://www.nus.edu.sg/registrar/adminpolicy/acceptance.html#NUSCodeofStudentConduct>

Online Module on Plagiarism:

<http://emodule.nus.edu.sg/ac/>

Schedule

Date	Week	Topic	Readings
14Aug20	1	<u>Lesson 1</u> Introduction to Finance for Entrepreneurs Developing the Business Idea	Ch 1 Ch 2
21Aug20	2	<u>Lesson 2</u> Organizing and Financing a New Venture Evaluating Operating and Financial Performance	Ch 3 Ch 5
28Aug20	3	<u>Lesson 3</u> Managing Cash Flow Projecting Financial Statements Group Project – Event 1	Ch 6 Ch 9
4Sep20	4	<u>Lesson 4</u> Types and Costs of Financial Capital Group Project – Event 2	Ch 7
11Sep20	5	<u>Lesson 5</u> Valuing Early-Stage Ventures Venture Capital Valuation Methods	Ch 10 Ch 11
18Sep20	6	<u>Lesson 6</u> Professional Venture Capital	Ch 12
25Sep20	7	Recess week	
2Oct20	8	<u>Lesson 7</u> Security Structures and Determining Enterprise Values Harvesting the Business Venture Investment	Ch 14 Ch 15
9Oct20	9	Group Project – Event 3	
16Oct20	10	Group Project – Event 4	
23Oct20	11	Group Project – Event 5A	
30Oct20	12	Group Project – Event 5B	
6Nov20	13	Group Project – Event 5C	
13Nov20	14	Written Test (in-class, closed book, no formula sheet, no cheat sheet allowed)	

Important Note

All students are expected to be present for all Group Project Events (whether or not your group is presenting). Absence in any of the Group Project Events will severely affect a student's project score. Students should therefore ensure that they do not have any clash (or potential clashes) of the module schedule with their personal, official or non-official activities before signing up this module.

In addition, the test date for this module has been fixed on 17 April 2020 and will take place during the usual lesson time slot. Students who are unable to sit for the test on 17 April 2020 should not sign up for this module.

Group Project Events

Students in the class will be organized into even number of groups. Half of the groups will be assigned as **Entrepreneur Groups (EGs)**, and the other half of the groups will be assigned as **Investor Groups (IGs)**. Each EG and IG will be paired up with the aim of achieving a funding agreement for a proposed business venture.

(a) **Event 1**

Each EG shall make a 10-minute **INFORMAL** presentation on its preliminary business idea (for the eventual purpose of seeking equity funding from the assigned IG). Only the preliminary business idea and business model need to be presented in this Event, and only informal verbal presentation is required (no presentation slides are necessary). No detailed financial projection is required to be presented.

(At the end of this event, each IG will be assigned to an EG for subsequent events.)

You will be assessed on:

Ability to propose and discuss your business idea and business model with the audience.

(b) **Event 2**

Each IG shall make a 10-minute **INFORMAL** presentation on its preliminary assessment and recommended changes (if any) on its assigned EG's proposed business idea. Only informal verbal presentation is required (no presentation slides are necessary).

(Subsequent to this event, each EG shall refine its business idea and business model, in consultation with the assigned IG. Once the business idea and business model are finalized, each EG shall make detailed study into the proposed business venture, and formulate a full Business Plan, **WITHOUT THE INVOLVEMENT OF ITS ASSIGNED IG**).

You will be assessed on:

Ability to propose and discuss your proposed refinements of the business idea and business model with the audience.

(c) **Event 3**

Each EG shall make a 45-minute presentation on the full **Business Plan**.

(Based on the EG's Business Plan, the assigned IG shall subsequently conduct due diligence and perform independent investment analysis on the proposed venture).

The EGs will be assessed on:

- the clarity of slides and ability to communicate and convince the audience on the proposal

- the enthusiasm and confidence during presentation

- the ability to address questions readily, confidently, and convincingly

- *the collective participation from all group members in handling queries from the audience*
- *the ability to effectively and efficiently deliver and complete the presentation within the allocated time*

(d) **Event 4**

Each IG shall make a 45-minute presentation on its **Investment Proposal** on the EG's proposed business venture as described in the Business Plan.

(Subsequently, each pair of EG and IG shall, if necessary, hold separate discussions outside class session to make any clarifications from each party.)

(Each IG shall subsequently prepare a **Preliminary Investment Term Sheet** for discussion and negotiation with the EG during Event 5. The Preliminary Investment Term Sheet is to be given to the EG prior to Event 5).

The IGs will be assessed on:

- *the clarity of slides and ability to communicate and convince the audience on the proposal*
- *the enthusiasm and confidence during presentation*
- *the ability to address questions readily, confidently, and convincingly*
- *the collective participation from all group members in handling queries from the audience*
- *the ability to effectively and efficiently deliver and complete the presentation within the allocated time*

(e) **Events 5A, 5B & 5C**

Each pair of EG and IG shall hold a 2.5 hour in-class negotiation on the Preliminary Investment Term Sheet with the aim of achieving agreement on the investment terms and conditions contained in the Preliminary Investment Term Sheet.

All students involved in the negotiation session are required to actively participate in the negotiation process, and each student would be assessed individually based on his/her level and quality of participation.

(Each IG shall subsequently prepare the **Final Investment Term Sheet** incorporating all the agreed terms and conditions, and the Final Investment Term Sheet is to be signed by both the IG and the EG.)

Each student will be separately assessed on his/her:

- *ability to explain the rationale and fairness of adopting or rejecting any proposed investment term*
- *ability to propose alternatives to prevent a negotiation deadlock*
- *level of professionalism and sensitivity towards counterparty's responses and reactions in the negotiation process*
- *ability to convey messages in a clear and constructive manner to aid in efficient negotiation*

- willingness, determination and resolution in achieving the desired outcome (which is to close the deal successfully)