

Session: Semester I 2021/2022

**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** 6<sup>th</sup> Edition (Asian Edition)  
J. Chris Leach & Ronald W. Melicher  
Cengage Learning  
ISBN: 978-981-4834-56-8

**Assessments Methods**

Participation	30%
Group Project	40%
Timed Module Assignment (TMA) or In-Class 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.

- **Timed Module Assignment (TMA) or In-Class Test**

Depending on the COVID control situation, the final assessment may be in the form of a TMA or an In-Class Test.

In the case of a TMA, it will be a 2-hour individual assignment to be done off-site. The TMA paper will be released on LumiNUS at the day of the last session. Students will download the TMA paper and do the assignment offline. The completed assignment, which must be type-written, must be uploaded into a submission folder in LumNUS. Although students may refer to any materials within their reach (physical materials or online resources), they are not allowed to collude or communicate with each other (or with any other persons), through whatever means, regarding the contents of the assignment during the assignment time slot (a declaration to that effect will also have to accompany the TMA submission by each student). More detailed instructions will be given nearing the assignment date.

In the case of an In-Class Test, it will be a 2-hour sit-in, closed-book test.

### **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
Session 1	1	<b><u>Lesson 1</u></b> Introduction to Finance for Entrepreneurs Developing the Business Idea	Ch 1 Ch 2
Session 2	2	<b><u>Lesson 2</u></b> Organizing and Financing a New Venture Evaluating Operating and Financial Performance	Ch 3 Ch 5
Session 3	3	<b><u>Lesson 3</u></b> Managing Cash Flow Projecting Financial Statements <b>Group Project – Event 1</b>	Ch 6 Ch 9
Session 4	4	<b><u>Lesson 4</u></b> Types and Costs of Financial Capital <b>Group Project – Event 2</b>	Ch 7
Session 5	5	<b><u>Lesson 5</u></b> Valuing Early-Stage Ventures Venture Capital Valuation Methods	Ch 10 Ch 11
Session 6	6	<b><u>Lesson 6</u></b> Professional Venture Capital	Ch 12
		Recess week	
Session 7	7	<b><u>Lesson 7</u></b> Security Structures and Determining Enterprise Values Harvesting the Business Venture Investment	Ch 14 Ch 15
Session 8	8	<b>Group Project – Event 3</b>	
Session 9	9	<b>Group Project – Event 4</b>	
Session 10	10	<b>Group Project – Event 5A</b>	
Session 11	11	<b>Group Project – Event 5B</b>	
Session 12	12	<b>Group Project – Event 5C</b>	
	13	<b>Timed Module Assignment (TMA) or In-Class Test</b>	

**Important Note**

**All students are expected to adhere to all Group Project Events. Complete absence in any of the Group Project Events (regardless of whether you or your group is presenting) may affect the project score.**

**In addition, the TMA or In-Class Test for this module will be conducted during the time slot for the final session (Week 13). There will be no alternative time slot or make-up for the TMA or In-Class Test.**

**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.**

### **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). This is NOT a business pitch. 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.)

*The EGs will be assessed on:  
Ability to propose and articulate your business idea.*

(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. This is NOT an investment pitch. 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**).

*The IGs will be assessed on:  
Ability to articulate your preliminary assessment on and suggested variations to the EG's proposed business idea.*

(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 effectiveness in presenting the business 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 in 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 effectiveness in presenting the investment proposal convincingly*
- *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 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)*