

Session: Semester I 2023/2024

Instructor

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Course Description

This course 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 course, 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%
In-class Test <u>OR</u> off-campus Timed Assignment (TA) (16Nov23)	30%
Total	<u>100%</u>

- **Participation**

Students are expected to attend the weekly lessons and project events (except for certain project events that are specifically assigned for participation by selected project groups). Besides weekly attendance, active and valuable participation in project work and project 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 student is required, and peer appraisal towards the end of the semester will be considered when awarding the final marks for each students. Although students in a project group would generally obtain the same *base score* for all initial project events, a significant portion of the overall project marks will be allocated for individual participation and performance during the last project event during which the “negotiation” on the “investment deal” is carried out.

- **In-Class Test or off-campus Timed Assignment (TA)**

The final assessment will be held during the last session of the semester, that is, on **16 November 2023** (during the same lesson time slot). The final assessment will either be an in-class test or an off-campus Timed Assignment (TA), and will be decided during the semester.

If it is an in-class test, students are required to attend a 2-hour sit-in written test (closed book) at a designated test venue in campus.

If it is a TA, it will be a 1.5-hour individual assignment to be done off-campus. The TA paper will be released on CANVAS on 16 November 2023. Students will download the TA paper and do the assignment offline. The completed type-written assignment must be submitted by uploading it to CANVAS. Students may refer to any materials within their reach (physical materials or online resources) while doing the TA, but are not allowed to collude or communicate with each other or with any person (a declaration to that effect will also have to accompany the TA submission by each student). More details and instructions on the TA will be given at the start of the semester.

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:

<https://studentconduct.nus.edu.sg/wp-content/uploads/2023/03/NUS-Code-of-Student-Conduct.pdf>

FIN4717 ENTREPRENEURIAL FINANCE
Semester I 2023/2024

Schedule

Session	Week	Topic	Readings
Session 1 (17Aug23)	1	<u>Lesson 1</u> Introduction to Finance for Entrepreneurs Developing the Business Idea	Ch 1 Ch 2
Session 2 (24Aug23)	2	<u>Lesson 2</u> Organizing and Financing a New Venture Evaluating Operating and Financial Performance	Ch 3 Ch 5
Session 3 (31Aug23)	3	<u>Lesson 3</u> Managing Cash Flow Projecting Financial Statements Group Project – Event 1	Ch 6 Ch 9
Session 4 (7Sep23)	4	<u>Lesson 4</u> Types and Costs of Financial Capital Group Project – Event 2	Ch 7
Session 5 (14Sep23)	5	<u>Lesson 5</u> Valuing Early-Stage Ventures Venture Capital Valuation Methods	Ch 10 Ch 11
Session 6 (21Sep23)	6	<u>Lesson 6</u> Professional Venture Capital	Ch 12
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Session 7 (5Oct23)	7	<u>Lesson 7</u> Other Financing Alternatives Security Structures and Determining Enterprise Values Harvesting the Business Venture Investment	Ch 13 Ch 14 Ch 15
Session 8 (12Oct23)	8	Group Project – Event 3	
Session 9 (19Oct23)	9	Group Project – Event 4	
Session 10 (26Oct23)	10	Group Project – Event 5A	
Session 11 (2Nov23)	11	Group Project – Event 5B	
Session 12 (9Nov23)	12	Group Project – Event 5C	
Session 13 (16Nov23)	13	In-class Test OR Off-campus Timed Assignment (TA)	

Important Note

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

In addition, the final assessment for this course will be conducted on 16 November 2023 (within the weekly lesson time slot). There will be no alternative time slot or make-up for the final assessment.

Before signing up this course, students should ensure that they do not have any clash (or potential clash) of schedule with that of the other courses they are taking, or with any of their 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)**. The EGs will act as entrepreneurs and the IGs will act as professional venture capital firms. Each EG and IG will be paired up with the aim of achieving a funding agreement for a proposed business venture.

(a) Event 1

The purpose is to explore a business idea that is suitable (with my guidance) for learning in this project. The adopted business idea will be the basis for all subsequent Events.

Each EG shall make a 10-minute **INFORMAL** presentation on its proposed business idea. This is NOT a business pitch, but sharing of a preliminary business idea with the class. The class may give valuable feedback or comments, if any. Only informal verbal presentation is required (no presentation slides is necessary).

Only one or two members of the group need to present.

(At the end of this session, each IG will be assigned to and matched with an EG for subsequent Events.)

*The EGs will be assessed as a group on:
Ability to propose and articulate the business idea.*

(b) Event 2

The purpose is to refine, modify, or expand on the business ideas proposed by the EGs so that they are suitable (with my guidance) for learning in this project.

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, but sharing of how the proposed business idea may be improved. Only informal verbal presentation is required (no presentation slides is necessary).

Only one or two members of the group need to present.

(Subsequent to this session, each EG shall finalize its business idea and business model, in consultation with its assigned IG. Once the business idea and business model are finalized, they will be adopted for subsequent Events. Each EG will then prepare the details of the proposed business venture, and formulate a full presentation of its Business Plan, **WITHOUT THE INVOLVEMENT OF THE IG**).

The IGs will be assessed as a group on:

Ability to articulate your preliminary assessment on and suggested variations to the EG's proposed business idea.

(c) **Event 3**

The purpose is to pitch the business plan so as to obtain funding from the IG.

Each EG shall make a 45-minute presentation on its **Business Plan** (presentation slides are to be uploaded after the presentation). The audience/class will act as potential investors during Q&A session.

Although all members of the EGs are expected to contribute diligently in preparing the presentation materials, not all members of the group need to do the presentation.

(Based on the EG's Business Plan, the assigned IG shall subsequently conduct investment due diligence, perform independent investment analysis on the proposed business venture, and formulate a full presentation of its Investment Proposal).

The EGs will be assessed as a group 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**

The purpose is to pitch a proposal so as to obtain internal approval to invest in the proposed business venture.

Each IG shall make a 45-minute presentation on its **Investment Proposal** (presentation slides are to be uploaded after the presentation). The audience/class will act as members of the investment committee (approval authority) of the venture capital firm during Q&A session.

Although all members of the IGs are expected to contribute diligently in preparing the presentation materials, not all members of the group need to do the presentation.

(Subsequently, each pair of EG and IG shall hold separate discussions outside class session to make final clarifications from each party, if necessary. Each IG shall also prepare a **Preliminary Investment Term Sheet** for the purpose of discussion and negotiation with the EG in Event 5A/5B/5C. The Preliminary Investment Term Sheet is to be given to the EG prior to the negotiation date).

The IGs will be assessed as a group 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**

The aim is to successfully “close the deal” by negotiating and agreeing on the terms and conditions outlined in the Preliminary Investment Term Sheet.

Each pair of EG and IG shall hold a 2.5-hour negotiation session on the Preliminary Investment Term Sheet. I will moderate the negotiation session.

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

(Each IG shall subsequently incorporate all agreed changes to the terms and conditions to produce and submit the **Final Investment Term Sheet**, which is to be signed by both the IG and the EG.)

Each student will be assessed individually on his/her:

- *ability to explain the rationale and fairness of adopting or rejecting any proposed investment term*
- *ability to identify and propose alternatives to prevent a negotiation deadlock*
- *level of professional disposition, with sensitivity towards counterparty’s responses and reactions in the negotiation process*
- *ability to communicate in a clear and constructive manner to achieve efficient negotiation*

Each of the EGs and IGs will be assessed as a group on:

- *Willingness, determination and resolution in achieving the desired outcome (which is to close the “deal” successfully)*