



FIN 490-01
ENTREPRENEURIAL FINANCE

Fall 2011
Monday & Wednesday, 1:00 – 2:15 p.m. in BS 131

Syllabus

[Last updated August 17, 2011]

Instructor:	John M. Mueller
Office:	COB 267
Office hours:	Mondays & Wednesdays 2:30-4:00 p.m. and by appointment
Office phone:	(502) 852-4828
E-mail:	john.mueller@louisville.edu

COURSE DESCRIPTION

This course will focus on financing issues facing new, young, and small business ventures. The course is intended for both entrepreneurs and employees in these types of ventures. We will go in depth on how to analyze financial statements, create financial forecasts, and value these types of ventures. We will study the tools and methods used in determining how much money a venture actually needs in order to be viable. Further, we will explore tools and approaches used when selling an idea to potential investors. Attention will be devoted to the different types of financing alternatives available to new, young, and small ventures. The venture capital market will be investigated in detail, including self financing, debt financing, angel financing, and financing from venture capital firms. In addition, we will explore issues involved in negotiating deals and in formulating deal structures. Students will be encouraged to understand financing issues and options from the vantage points of the entrepreneur, the lender, and the investor.

COURSE OBJECTIVES

During the course, the overarching objective of the course is for students to **understand the financial aspects of the decision making process and day-to-day operations of a new, young, and small business venture**. More specifically, students will:

- Construct, read and draw practical insights from the financial statements of a venture, and especially the cash flow statement.
- Understand how to determine the amount of money an entrepreneur requires to successfully start and operate a venture.
- Calculate the value of a venture and appreciate the many roles valuation plays in the creation and development of a venture.
- Become familiar with the characteristics of the various debt and equity sources of financing available to new, young, and small businesses, and the factors which lenders/investors weigh most heavily when making investment decisions.
- Formulate a deal structure for a start-up venture and grasp the multiple variables that can be introduced when structuring a deal.

- Understand key tactics and approaches to negotiation when attempting to structure financing deals for new, young, and small ventures.
- Recognize a company in financial distress and understand the options for the company

TEACHING STRATEGIES

The successful launch and growth of new ventures requires a solid understanding of the financial management process. We will work individually and in groups utilizing lecture, discussion, case studies, and the experiential learning methodology¹ in and out of the class room to examine the **process** of financial forecasting for a new venture, effective financial management of a growing venture, sources of financing, bootstrapping, and exit planning. Specifically, we will utilize real world examples and scenarios to build a common foundation for reflecting upon key course concepts and bolstering students' financial management thinking and skill set.

Because the academic environment represents a unique and relatively low risk forum, it is imperative that students work hard to capitalize on the opportunity for personal development this environment presents. Accordingly, students will be expected to go beyond over simplistic, shallow thinking and will be pushed to **leave their comfort zone**. Students will be challenged to expand on their existing mental models and beliefs about entrepreneurship and the financial forecasting process during class discussions and on written assignments.

PARTICIPATION IN CLASS

Active participation in class discussions is valued since it contributes to learning and discussions. I will judge your performance based both on the quality and the quantity of your comments. There are usually no absolute right answers. While there are no right answers, there are good arguments and bad arguments. This course is designed to help you learn to distinguish between sensible and senseless arguments. **If you are uncomfortable with ambiguity, do not take this class.**

Because of the nature of this course (and its grading criteria), it is extremely important that you attend every class, arrive on time and be prepared to participate. To help me out, you should bring your name cards to each class. I may not remember who said what without those cards.

CLASS POLICIES

The College of Business faculty adhere strictly to the University's policy on academic dishonesty. This leaves no instructor discretion and requires the instructor to fully comply with the articulated process if infractions are discovered. Please read and ensure that you know and comply with the policy (see http://louisville.edu/undergradcatalog/previous-years-catalogs/2006_08/unitinfo/college-of-business/academic-dishonesty.html/).

Laptops and wireless devices (cell phones, iPods, game devices, or *any* comparable device) may be used during class for class related activities. This means that use of these devices for non-class related activities will be prohibited and may result in the instructor asking the student to leave the class. Please put cell phones on vibrate or turn them off before class begins so you don't inadvertently disrupt the class.

¹ Experiential learning is the process of making meaning from one's direct experience.

Rude or disruptive behavior is unacceptable and will not be tolerated; sanctions may range from ejection from class through a University–level response. Most students act with maturity and grace so they will not be impacted.

Accommodations will be made for students with learning or other types of disabilities in accordance with documentation the instructor receives from the Disabilities Resource Center. The DRC works with students to determine the nature of the disability and the type(s) of accommodation needed; the DRC then notifies the instructor so he/she can make the necessary adjustments in the course.

Late submissions for the written assignments will be penalized **15%**. Submissions over 7 days late will be given a **0**. There is no opportunity to make up in-class presentations. You need to ensure that you are present on those class days. No late presentations will be accepted.

I understand that we are all busy and this class is not the only class you are taking. However, I assume you are in the class to learn and thus will have a positive attitude towards learning. I expect each student to put their best effort on every assignment while still taking into account each student’s entire course load during the semester. As such, every assignment counts toward your grade and no extra credit opportunities exist.

COURSE MATERIALS AND RESOURCES

Required Textbook

- None

Required Resources

- Access to Wall Street Journal, New York Times, and Techcrunch
- Purchase of several case studies (over the course of the semester)
- @Risk software

Additional Resources

- Supplemental materials provided by the instructor throughout the term
- Blackboard course web site

COURSE COMPONENTS FOR GRADING

Grading Component	Weighted Grading %
Financial Plan (individual)	15%
Funding Proposal (group)	25%
Work-out Plan (group)	10%
Mini-Presentations (group) (2)	20%
Participation	10%
Mid-terms (2)	20%
TOTAL	100%

Financial Plan (Individual)

Each student will produce a financial plan geared at obtaining funding for a new business venture. An excel spreadsheet that includes 5-year annual balance sheet, income statement, and cash flow summary statements for your new firm as well as monthly summary statements for your first year and quarterly summary statements for years 2-5 must be e-mailed to me no later than 5:00pm (EST) on Wednesday, September 28th.

Funding Proposal (Group)

This is a group project in which each group will write an investor proposal and present their proposal to the class. The aim of the investor proposal is to obtain financing for your firm from the type of investor of their choice.

A draft of the proposal must be e-mailed to me no later than 5:00pm (EST) on Wednesday, October 26th. During the five-day period from Monday, October 31st to Friday, November 4th from 8:00am to 5:00pm (EST) each team must schedule a 30-minute meeting with me so that we may go over together the investor proposal prepared by the team. All team members must be present during these meetings.

Each group must produce:

- 3 page description of the business (summary only – so include enough detail so the reader can understand the main activities and focus of the business)
- 5-year annual balance sheet, incomes statement, and cash flow summary sheets for your first year and quarterly summary statements for years 2-5
- Detail explanation of the assumptions that drive the financials
- Proposed term sheet
- Analysis of why this funding source was chosen
- Presentation to be given to the class, including valuation analysis

Work-out Plan (Group)

This is an in-class exercise that will be done in groups. Each group will be provided with information on a company that is in financial distress. The group, using what we have discussed in previous classes, will need to formulate a work-out plan for the company.

Mini-presentations (Group)

Each group will be responsible for two mini-presentations over the course of the semester. The mini-presentations will be 15 long presentations, with a 15 minute question and answer period. The first mini-presentation will be on financial forecasting. The second mini-presentation will be on valuation. Further information will be provided on the requirements of each mini-presentation during the semester.

The purpose of the presentations is to help you with presenting information in front of a group and to assist in stimulating questions and discussion on specific topics. As well, these presentations will

help ensure mistakes do not carry over to the funding proposal. This is an activity focused on learning by doing.

Participation

This portion of your grade will reflect your contribution to the discussions in class and the feedback you provide to your fellow class members on their mini-presentations. If you are not present in the classroom, you are not participating.

Mid-term Exams

Two mid-terms will be given. The first midterm will take place on Wednesday, October 5th. The second mid-term will take place on Tuesday, December 13th (2:30 – 5:30pm). There will be both quantitative and qualitative questions asked on the mid-terms. These mid-terms will not be cumulative.

The purpose for the mid-terms is to ensure each student understands basic terms in the course. It is more important to focus on doing well on the financial plan, funding proposal, work-out plan, and mini-presentations since these assignments are comprehensive and more realistic with what you will use in the future than memorizing terms for an exam.

Grading Scale

Final Percentage	Final Grade	Final Percentage	Final Grade
94 – 100 %	A	71 – 73.9 %	D+
90 – 93.9 %	A-	68 – 70.9 %	D
88 - 89.9 %	B+	No grade of D-	
85 – 87.9 %	B		
82 – 84.9 %	B-	67.9 % & below	F
80 – 81.9 %	C+		
76 – 79.9 %	C		
74 – 75.9 %	C-		

IMPORTANT DATES

Date	Activity
In September	Mini-presentations - Valuation (group)
September 28th	Financial plan (individual)
October 5th	Mid-Term #1
October 26th	First draft of funding proposal (group)
In November	Mini-presentations – Raising capital (group)
November 18th (a Friday)	Final draft of funding proposal (group)
December 13th (a Tuesday, 2:30 – 5:30pm)	Mid-Term #2

CLASS SCHEDULE

The course schedule is provided in a separate document.