



FINC 4790-01 – Entrepreneurial Finance
Syllabus – Spring Quarter 2022

Instructor details:

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Office Hours: by appt.

Class details:

Synchronous online
Website: on Canvas <https://seattleu.instructure.com/>

Required Material:

1. **Course Pack**, available at <https://hbsp.harvard.edu/import/922874>
2. Materials on Canvas, posted during the quarter.

Additional (optional) References:

- **Robert C. Higgins**, *Analysis for Financial Management* (12th or previous editions), Irwin/McGraw-Hill
- Your textbook from FINC 3400 or 3420 might also serve as a useful reference.

Course Description and Objectives:

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 you are to pursue opportunity without regard to resources currently controlled, it is necessary to be able to identify (and value) 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 to sharpen your skills in all of these activities.

In our study of Entrepreneurial Finance, we must first cover what might be called “small business survival skills,” including assessing financial performance, financial planning, identifying external financing needs and valuing businesses. We will then 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. Because attracting funds depends critically on business valuation now and in the future, we will also devote considerable time to business valuation, and the interplay of valuation and financing terms.

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.
- Converse about a broad range of real-world experiences presented by guest speakers.

- 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) and other exit strategies.

Ideally, at the end of the quarter you will have a very good idea of what is involved in the financing, financial control, and valuation of the start-up firm. In addition, we will be relying on the wisdom of several guest speakers. If you believe you might miss more than three classes, your daily work score will approach zero, and you might not pass this class—in such cases, I strongly recommend you take this class a different quarter.

The course is organized into four principal sections:

- I. The entrepreneur and financial planning
- II. Valuation
- III. Private Equity
- IV. The entrepreneur's perspective

This course will be composed of lectures, class discussion, problem solving, guest speakers, and case applications, with emphasis on the latter. You are encouraged to introduce current topics that have been gathered through your regular reading of the Financial Times, WSJ, or the Economist.

This course also furthers your progress towards achieving the Albers Finance majors learning goals:

- Describe and explain to lay individuals financial concepts relating to: value creation, risk management, and the functioning of financial institutions and world financial markets, for corporate and investor decision-making.
- Demonstrate strong critical thinking and problem solving skills within an ethical framework.
- Apply tools such as spreadsheet, mathematical, and statistical modeling to analyze problems and issues in finance.
- Employ discipline knowledge and skills orally and in written form in a professional manner in service to the community.
- Recognize social justice issues inherent in financial decision-making.

Prerequisites: FINC3400—please see Canvas review materials to re-acquaint yourself with essential tools.

Course Responsibilities:

Course responsibilities will consist of daily class work (class participation), individual assignments, and case write-ups (completed in groups). Your performance in the components of this course will be weighted as follows:

<u>Assignment</u>	<u>Due Date</u>	<u>Weight</u>
Class Participation	NA	15%
Individual Assignment	TBD	25%
I. Hampton Machine Tool	April 20	15%
II. Allen Lane	May 2	10%
III. Outreach Networks	May 16	15%
IV. Apex (A)	June 1	20%
Total		100%

Please see Canvas for more details concerning case preparation ideas and expectations, class participation, and specific case assignments. All cases must be prepared before class, and the assignments related to the

cases handed in at the beginning of class. The **last page of this syllabus** provides an overview of case write-up (and other) due dates. This table provides due dates and grade weights:

The Course letter grade will be assigned according to the following schedule:

95 - 100	A	77 - 79.99	C+
90 - 94.99	A-	74 - 76.99	C
87 - 89.99	B+	67 - 73.99	C-
84 - 86.99	B	60 - 66.99	D
80 - 83.99	B-	< 59.99	F

If the average class score at the end of the quarter is lower than a B, the target distribution for this course will be adjusted such that the median course grade is a B.

Follow the Code of Academic Integrity:

Personal integrity is the key to your success and happiness in business and life. Throughout your life, you will be expected to abide by the ethics of the culture in which you find yourself, and failure to do so can destroy your career or worse. Seattle University does not tolerate any cheating or other dishonesty. ***The use of material from previous quarters, other students, and other sources of solutions (e.g., the Internet) is forbidden. Consulting previous students of this class is a violation of the Academic Integrity policy and will be disciplined accordingly.***

Seattle University is committed to the principle that academic honesty and integrity are important values in the educational process. All students must comply with Seattle University policies for conduct and academic honesty at all times during this course. SU's academic integrity policy and the associated tutorial can be found at the following address: <https://www.seattleu.edu/academicintegrity/Default.aspx>

Lastly, if you are not sure whether a particular action is acceptable according to the Academic Integrity Policy you should check with the instructor before engaging in such an activity.

Academic Resources:

- Library and Learning Commons (<http://www.seattleu.edu/learningcommons/>)
(This includes: Learning Assistance Programs, Research [Library] Services, Writing Center, Math Lab)
- Academic Integrity Tutorial (found on Canvas and SU Online)

Academic Policies on Registrar website

(<https://www.seattleu.edu/redhawk-axis/academic-policies/>)

- Academic Integrity Policy
- Academic Grading Grievance Policy
- Professional Conduct Policy (only for those professional programs to which it applies)

Notice for students concerning Disabilities

If you have, or think you may have, a disability (including an 'invisible disability' such as a learning disability, a chronic health problem, or a mental health condition) that interferes with your performance as a student in this class, you are encouraged to arrange support services and/or accommodations through

Disabilities Services staff located in **Loyola 100, (206) 296-5740**. Disability-based adjustments to course expectations can be arranged only through this process.

Office of Institutional Equity

Title IX of the Education Amendments of 1972 (Title IX) prohibits discrimination based on sex in educational programs or activities that receive Federal financial assistance. This prohibition includes sexual misconduct, which encompasses sexual harassment and sexual violence. Seattle U remains committed to providing a safe and equitable learning, living, and working environment. Seattle U offers emergency, medical, and other support resources, as well as assistance with safety and support measures, to community members who have experienced or been impacted by sexual misconduct.

Seattle U requires all faculty and staff to notify the University's Title IX Coordinator if they become aware of any incident of sexual misconduct experienced by a student.

For more information, please visit <https://www.seattleu.edu/equity/>. If you have any questions or concerns, you may also directly contact the Title IX Coordinator in the Office of Institutional Equity (**email:** oiie@seattleu.edu; **phone:** 206.296.2824) University Resources and Policies

Course Schedule*

* This a tentative schedule. It is subject to revision based on actual class progress.

† Indicates a **write-up is due** for the case.

If there's no “†”, you do not need to hand anything in, but you **do** still need to prepare the case.

Class	Date	Topic	Lecture / Case	Readings
1	28-Mar	Introduction and course overview I. Building a Financial Plan: A. Fin. statements	Lecture	Syllabus Higgins Ch. 1
2	30-Mar	I. Building a Financial Plan: B. Performance evaluation	Lecture	Higgins Ch. 1
3	1-Apr	I. Building a Financial Plan: C Pro-formas, cash budget	Lecture	Higgins Ch. 2
4	4-Apr	I. Building a Financial Plan: C. Forecasting	Lecture; <u>Guest speaker: Brad Harlow</u>	Higgins Ch. 2
5	6-Apr	I. Building a Financial Plan: D Pro-formas, cash budget	Lecture	Higgins Ch. 3
6	8-Apr	I. Building a Financial Plan: E. Managing growth	Lecture	Higgins Ch. 4
7	11-Apr	II. Building a Financail Plan: Cartwright Lumber	<u>Case: Cartwright Lumber</u>	
8	13-Apr	II. Building a Financail Plan: Cartwright Lumber	<u>Case: Cartwright Lumber</u>	
	15-Apr	Easter Holiday (No class)		
	18-Apr	Easter Holiday (No class)		
9	20-Apr	III. Building a Financail Plan: Hampton Machine Tool	<u>Case: Hampton Machine Tool</u> †	
10	22-Apr	III. Building a Financail Plan: Hampton Machine Tool	<u>Case: Hampton Machine Tool (cont.)</u>	
11	25-Apr	IV. Valuation of Private Business	Lecture; <u>Guest speakers: Anna Farmer and Ford Zhang</u>	Higgins Ch. 6, Note on valuating private business (HBS), A note on valuation in private equity settings (HBS)
12	27-Apr	IV. Valuation of Private Business	Lecture	Same as above
13	29-Apr	IV. Valuation of Private Business	Lecture	Higgins Ch. 8&9;

(Continue on next page)

Class	Date	Topic	Lecture / Case	Readings
14	2-May	V. Valuation & Entrepreneur's Perspective	<u>Case: Allen Lane †</u>	
15	4-May	V. Valuation & Entrepreneur's Perspective	<u>Case: Allen Lane (cont.)</u>	
16	6-May	IV. Valuation of Private Business	Lecture	Higgins Ch. 8&9;
17	9-May	IV. Valuation of Private Business	Lecture	Same as above
18	11-May	VI. PE & VC valuation method	Lecture; <u>Guest speakers: Charles Porter</u>	Higgins Ch. 5; How VCs evaluate potential venture opportunities (HBS)
19	13-May	VI. PE & VC valuation method	Lecture	Same as above
20	16-May	VII. PE & VC valuation method: Outreach Networks	<u>Case: Outreach Networks†</u>	
21	18-May	VII. PE & VC valuation method: Outreach Networks	<u>Case: Outreach Networks (cont.)</u>	
22	20-May	VIII. Incentive and control - Term sheets	Lecture	<i>Note on Contents of a term Sheet (Ivey)</i>
23	23-May	VIII. Incentive and control - Term sheets	Lecture	Same as above
24	25-May	IX. Term sheets - Trendsetter	<u>Case: Trendsetter</u>	
25	27-May	IX. Term sheets - Trendsetter	<u>Case: Trendsetter (cont.)</u>	
	30-May	Memorial Day (No class)	-	
26	1-Jun	X. Term sheets - Apex	<u>Case: Apex (A)†</u>	
27	3-Jun	X. Term sheets - Apex	<u>Case: Apex (A) (cont.)</u>	
28	6-Jun	TBD		