

ENTREPRENEURIAL FINANCE; FINANCE 131

SYLLABUS

CRAIG SCHOOL OF BUSINESS
DR. R. YAZDIPOUR, Fall 2008

E-mail: rassouly@csufresno.edu

WELCOME!

CLASS FEATURES: This class is completely offered on the World Wide Web- which means three things:

- A. 24-Hour Class Access and Usage from any Place in the World ;** You can download, save, and print all the course materials- including assignments, practice problems or questions, quizzes, tests,...- and submit your work for due evaluation and feedback. You can work with your team members on any assigned group work or project. You can also post (post and not email) all your class-related questions or concerns relative to all the learning units, and receive quick response from me usually within 48 hours from the time of your posting on weekdays. In effect, this classroom is open and accessible to you round the clock; and it is like having class and office hours every single day!
- B. Better Learning Opportunities as Compared with Traditional “Face-to-Face” Classes.** By utilizing the full power of the Web and especially its 24-hour accessibility feature, students can not only study, learn, practice, and prepare for the required evaluations; but they can also interact with the instructor and all other classmates on a daily basis and regarding any issue that they may face in their learning process.
- C. Time Management, More Independent Work, Self Discipline, and Online Preparedness.** These last items have more to do with *your willingness and commitment* to take a fully online FIN 131 class; a class with no face-to-face interaction with either the instructor or possibly other fellow classmates. *You must know right upfront that an online class requires a good deal of self-discipline, independent work, and time management; and at least the same level of time commitment and work as a traditional class- if not more.* So, **please** if you have any misperceptions about this class, or you think online classes are lighter and easier to get good grades without putting in commensurate work and efforts, I seriously advise you to change your class right away. There is a growing list of fellow student waiting to get into this class once a space is available. **Consequently, by having registered for this fully online class, and by electing to continue staying in this class, you are in fact pledging that you are fully prepared to take a fully online class like the present course.** To help you better decide on your preparedness, Digital Campus offers a quick “test to see if you are ready to take a fully online class”. If you are not sure, contact the Digital Campus staff (staff and not student helpers) ASAP. Here is the needed link for contact info:
<http://www.csufresno.edu/digitalcampus/home/contact.shtml> Again, if you feel an online class is not what you wanted, please drop this class immediately- during the very first week of classes- and see if you can enroll in a face-to-face class. (I did not mean to scare *you*, but I had to be very specific in item C- as there are always one or two students who do not really understand how fully online classes work, and what the demands are in terms of self-discipline and work; and consequently run into many headaches later on. I wanted to save such very few students the unneeded headaches!)

COURSE OBJECTIVES:

Entrepreneurial Finance is designed to provide you with the unique perspectives and tools required for decision making in an Entrepreneurial (E) environment. An E environment is mainly characterized by *uncertainty and rapid change*. Although we are interested in the entrepreneur as an individual, our *main focus in this course will be on the entrepreneurial process and especially the financial aspect of such process*. Entrepreneurial process starts with the identification of opportunities and ends with the final stages of high growth and exit (buyout, “going public”-IPO, or any other exit strategy). EVALUATING/ VALUING BUSINESS OPPORTUNITIES, STRUCTURING DEALS, and RAISING RISK CAPITAL are among the major issues covered in this course. Other topics include FINANCING GROWTH AND EXPANSION, BUSINESS FAILURES, AND EXIT STRATEGIES.

PRIMARY LEARNING OUTCOMES: Upon successful completion of this course, students are expected to:

1. Understand the entrepreneurial process and the role that funding and “deal making” plays in that process;
2. Understand the inner-working of the Venture Capital industry which provides financing and related operational support to all types of entrepreneurs and ventures;
3. Be able to determine the varying nature of risks and rewards in an entrepreneurial setting- as opposed to a public market setting;
4. Evaluate and analyze for investment purposes different business opportunities especially from the vantage point of an investor or venture capitalist;
5. Value (price) any given risky venture- either new or existing- in any industry;
6. Determine the percentage share of a given venture that should be given up by an entrepreneur in return for a given financing offered by an investor;
7. Understand and practice how venture deals are made; and how such deals can affect the continued operation of a venture and consequently the life of both the entrepreneur and her/his investor(s);
8. Be able to provide preliminary advice relative to raising capital in different settings or investing in a venture;
9. Be able to help design and develop plans for further expansion and growth of a venture;
10. Understand how to avoid or at least minimize venture losses and venture failures.

Class Prerequisite: Finance 120 or equivalent; and familiarity with the latest version of the Blackboard Platform.

REQUIRED TEXTBOOK:

“Entrepreneurial Finance”- a Custom-made Book; 2008. McGraw Hill/Primis Custom Books. This book can be purchased from the Kennel bookstore at a relatively affordable price.

<http://www.kennelbookstore.com/CourseMaterials.aspx>

In addition to the textbook listed in above, there are a number required handouts and readings that will be made available to you in the classroom.

CONTACT: Normally, I respond to your posted inquiries within 48 hours of their receipt during weekdays. Please see dedicated daily questions boards located under Discussion Board, under Communications on the navigation panel in your class. For ALL your non-private, class-related questions, use the dedicated daily questions boards mentioned in above. For private matters, the

best way to reach me is through my email rassouly@csufresno.edu ; as I check my email very often during weekdays.

COURSE OUTLINE

Background & Introduction

- The Entrepreneurial Process-CH 3
- The Opportunity- CH 4; and Screening Venture Opportunities- CH 5;
- Resource Requirements- CH 10;

Financing Entrepreneurial Ventures

- Entrepreneurial Finance: Venture Capital and Financing Requirements- CH 12;
- Obtaining Venture and Growth Capital- CH 13;
- The Deal: Valuation, Structure, and Negotiation- CH 14;
- Obtaining Debt Capital- CH 15;
- The Business Plan as a Financing Vehicle; CH 6;

Some relevant and possibly useful websites:

http://www.nvca.org/model_documents/model_docs.html

<http://www.sba.gov/smallbusinessplanner/start/financestartup/index.html>

http://www.1000ventures.com/venture_financing/vfin_main.html

Valuation: Issues and Techniques

- Valuation Techniques- Notes posted under Valuation folder under Course Documents;
- “Free Cash Flow Method” File Available In PDF Format-- Notes posted under Valuation folder under Course Documents;
- Valuation: Other Methods- Notes posted under Valuation folder under n Course Documents;
- Valuation: More- Notes posted under Valuation folder under Course Documents;
- Valuation: What's It Worth? - Notes posted under Valuation folder under Course Documents

Startup and Beyond

- Managing Rapid Growth- CH 16;
- The Entrepreneur and the Troubled Company- CH 18;
- The Harvest/Exit and Beyond- CH 19

Business Failure: Reasons and Solutions

- Failure Factors- Notes posted under Failure folder under Course Documents;
- Small Business Truisms To Avoid Failure: ‘A Reality Check’- Notes posted under Failure folder under Course Documents;
- Avoid Business Failure- Notes posted under Failure folder under Course Documents;
- Failure Prevention- Notes posted under Failure folder under Course Documents;

Wrap-up and Closing Issues (Readings/Notes for this section will be added under Course

Documents later on)

- Putting it All Together- Collection of Notes
- Convince us You Can Solve You Cash Flow Problems
- A Key Financing Tool- Term Sheet and its Content

Case Study and Case Analysis

There are a total of five comprehensive cases located the end of your textbook which I will assign to groups during the first few weeks of the course. Please look for related info on Group Projects in this syllabus and follow all the related instructions.

DETAILED WEEKLY SCHEDULE

WEEK

SUBJECT/ASSIGNED READINGS

1. Introduction and The Entrepreneurial Process- CH 3
2. The Opportunity and Screening Venture Opportunities- CHs 4 and 5;
3. Resource Requirements- CH 10; and Entrepreneurial Finance: Venture Capital and Financing Requirements- CH 12;
4. Entrepreneurial Finance- CH 12; continued;
5. Valuation- Part 1: The Deal: Valuation, Structure, and Negotiation- CH 14
6. Valuation- Part 2: Valuation Techniques; “Free Cash Flow Method” File Available In PDF Format;
7. Valuation- Part 3: Valuation: Other Methods; Valuation: More; Valuation: What's It Worth?
All above readings are posted under Valuation folder under Course Documents
7. **MID-TERM EXAM- Saturday and Sunday, October 11 and 12; Exam Covers: All materials listed in above for weeks 1 through 7- including 7.**
8. Obtaining Venture and Growth Capital- CH 13
9. Obtaining Debt Capital- CH 15
10. Managing Rapid Growth- CH 16; and The Harvest and Beyond- CH 19
Group Project 1 Due by Sunday, November 2, by 11:59 PM. For place to submit and other submission issues, please see related instructions in this syllabus and the Assignments folder in your class.
11. The Entrepreneur and the Troubled Company- CH 18
12. Failure Factors; Small Business Truisms To Avoid Failure; Avoid Business Failure; and Failure Prevention. All above readings are posted under Venture Failure under Course Documents
13. Putting it All Together; convince us You Can Solve You Cash Flow Problems; A

Key Financing Tool- Term Sheet and its Content.

14 and 15 Work on your Group Project 2 (Case Study); **Group Project 2 Due by Sunday, December 7, by 11:59 PM.** For place to submit and other submission issues, please see related instructions in this syllabus and the Assignments folder in your class.

FINAL EXAM: A COMPREHENSIVE EXAM THAT EVALUATES THE TOTAL KNOWLEDGE YOU GAINED FROM THIS CLASS.

Exam Date: Saturday and Sunday, December 13 and 14. As stated above, the final exam covers all the materials studied throughout the whole class and from day 1.

ASSESSMENT AND EVALUATION:

Students in this class will be evaluated based on the three elements stated in the following table.

EVALUATION INSTRUMENT	FREQUENCY DURING THE SEMESTER	POINTS EACH	TOTAL POINTS/ % OF TOTAL	DUE DATES FOR EACH INSTRUMENT
BI-WEEKLY ASSIGNMENTS (WAs)	5	50	250/25%	Each Assigned Sunday by 11:59 pm PST
GROUP PROJECTS	2	Group Project 1: 100; Group Project 2 (Case Study): 150;	250/25%	Group Project 1: November 2 Group Project 2 (Case Study): Dec 7; both due by 11:59 PM.
EXAMS WILL BE POSTED BY 8:00 AM on SATURDAY MORNING OF EACH TEST	2	Midterm: 200 Final: 300	500/50%	Midterm: <u>Saturday and Sunday, Oct 11 and 12;</u> Final: <u>Saturday and Sunday, Dec 13 & 14</u>
TOTAL	-	-	1000/100%	-

WEEKLY ASSIGNMENTS (WAs)

There are five Bi-weekly Assignments (WAs) for this semester. WAs start in the **second week (week 2, or week of Sept 1)** of classes and continue every other week as announced in the **Weekly Work File folder.** The first WA is then due by **Sunday, Sept 7,** by 11:59 pm PST. The second one is due two Sundays later, and so on for as announced in the Weekly Work File folder. Points will be taken off for not following related instructions for submitting WAs. Points will be

taken off for not following related instructions for submitting WAs. **NO WA MAKEUPS WILL BE GIVEN. No emailed work of any kind will be accepted at all.**

GRADING WAs. Where and when necessary, such as in quantitative assignments, you need to show **ALL** your works/solutions for **ALL** the assigned problems- unless stated otherwise. If you use Excel where I can trace your formulas and works, then that is all that I need for showing your work. Submitting end answers will NOT earn you any points.

HOW TO SUBMIT YOUR WAs? All the assignments are available under the Assignment folder in the class. There is a link under each assignment called, “View/Complete Assignment: WA –“. Just click on it and then you can upload your answers for my evaluation. You will also be able to add comments along with your submission.

A Note of Caution: Note that each week’s assignment is more or less tied to the materials assigned for that week- or the prior week(s). This means if you have not read the assigned materials as outlined in the syllabus, there is a very good chance that you will NOT be able to answer the questions asked in a satisfactory manner. So please stay on top of the assigned materials throughout the semester; and if there are things that are not clear to you, post your answers or concerns in the related “Weekly Questions Discussion Boards” (DBs) that I have created for each week of the semester. They are called week 1 class, week 2, class, etc.

GROUP PROJECTS:

As said earlier, we will have two group projects this semester; and as follows. Instructions on forming teams appear in below.

Group Project 1: Creating and submitting a report entitled, “Interaction Between Strategy and Financing in the Case of Entrepreneurial/Small Business Ventures”.

The Assignment: your first group project simply involves creating a booklet to be called “Interaction Between Strategy and Financing in the Case of Entrepreneurial/Small Business Ventures”. This document is what it actually says it is: a practical guide for especially entrepreneurs and their consultants regarding the two critical and yet interrelated/interwoven subjects of strategy development and venture financing.

More specifically, your team needs to discuss, analyze, and report on how venture financing options and alternatives can be directly affected by the type of business (or operational) strategies that is already selected and approved for a given venture. Alternatively, you could also consider your assignment as follows (the “mirror image” of the way I just described the project to you, which can also be true): your team needs to discuss, analyze, and report on how a given venture’s business (or operational) strategies can be directly affected by the very type of venture financing option(s) and alternative(s) that the venture selects to finance its business operations. (Implicit in above is the fact that when it comes to strategy and financing, one (either strategy *or* financing) could be either the cause *or* the effect; and it does not really matter which way you go in your report.)

Beside the cover page, table of content, reference page, and appendix, the guide must have at least three main segments:

- A. A complete yet concise description of what strategy is for any given venture (you already know what financing is); and what are some major examples of strategies that a venture

could select at different stages of its life cycle. Allocate 2 double-spaced pages to this section; and consider at all times the Copyright and Plagiarism issues, policies, and harsh penalties for violations of any such rules. You need to enter your references for this part on a Reference page(s) to be inserted after section C in your report.

- B. A convincing discussion and analysis on:
- How* and *why* the two concepts of strategy and financing, especially in case of entrepreneurial ventures, are interrelated and interwoven (that is one affects the other in no uncertain terms), and
 - Whether or not what you just discussed in above has any practical implications for entrepreneurs in search of funding for their ventures.

In this section, you also must do some research and provide some real-life examples from some real-life ventures/small businesses in support of your argument. Note that your discussion need to cover the stated interaction at all stages of a venture's life; from inception, to startup, to growth, and finally to maturity and exit. Allocate 4-5 double-spaced pages to this section;

- C. A "Conclusions" section, where you just summarize the key points of your arguments and your presentations from parts A and B. Allocate no more than 2 pages double-spaced to this section.

Total Length for this assignment: Between 8-9 pages, double-spaced, Times New Roman, size 12, Word document. Make sure your report is prepared in a well-organized fashion.

Group Project 2- Case Analysis:

Group project 2 involves comprehensive case study and analysis- requiring both quantitative and qualitative work. Cases will be assigned to each group around week five. As you will see then, each case contains specific questions that need to be answered; and I may add additional questions to each case. So look for this assignment by week five.

Instructions on Group/Team Formation:

- A. **Group Formation.** You will be selecting your teammates over the next two weeks. Please see the related Discussion Board, located under Communications panel to your left on Bb.
- B. **Length and Format for Group Project 2- case study (such info on group 1 was given in above):** For this project, each team may submit a maximum of one (1) Excel file and one (1) Word file; containing responses to the questions as asked in the assignment. The length of the Word file may not exceed ten (10) pages, double-spaced, size 12, Times New Roman style. If you use, Excel files for the quantitative portions of the work, there are no page limits for the Excel file. **Note:** Don't be concerned if you do not know Excel very well; chances are that others in your team know how to use Excel and that function could be delegated to them.
- C. **Submission Instructions and Due Dates:** Once your group projects become due as stated in the syllabus, the team leader needs to submit each work and as instructed in this syllabus as follows.

For Group Project 1, mark your team's final Word file as "**Final Project 1**" and submit it via the File Exchange tool located under each GROUP.

For Group Project 2, mark your team's maximum two files as "**Final Project 2.Word**" and "**Final Project 2.Excel**", and submit both files via File Exchange tool located under

each GROUP.

I will NOT accept individual works by individual team members, regardless of the excuse. If a teammate name is not included in the Final Draft by his/her group- for lack of cooperation- that student will earn zero points. No excuses will be accepted, period. Team leaders and all members in each team need to make sure this is done fairly and correctly.

Grading the Two Group Projects and Individual Members. To make sure members in both group projects do their fair share of group work, at the project due date, I require all members *privately* email me feedbacks regarding the efforts made by their fellow team members on a given project. Such feedbacks, if given by enough people in a team, may in fact lower the grades of slackers considerably. This happens often, though few fall in that category, so make sure you are not one of such members. One thing that surely helps all is selection of a responsible and serious student as the team leader for each project. Bios posted can help in this regard.

D. **Due Dates:** see the Course Evaluation table in this syllabus.

E. **Grading Criteria:** Complete responses to the questions as asked on the assignments. For group project 2, make sure to show your formulas and work- if and where needed- so that I can trace your answers and calculations. Otherwise, providing just the end answers would earn you and your team zero points.

More on Team and Member Grading. To assure FAIRNESS IN GRADING- think of it as "equal grade for equal work"- I will be grading the Group Projects at two levels: *Group grade and Individual grade*. For each group and each group member, such two grades will ONLY be equal IF:

1. No one in a given group has been voted by members as slacker. How would I know that? As stated in above, for each of the two projects, I will have EACH member grade her/his team mates in a given group and project- on a scale of A thru F. This will be done via private emails to me once each project is submitted by their due dates.

2. My examination of each group member's contribution to group work- as DOCUMENTED under the key Bb features in your Group- clears an individual as having contributed significantly to the group work. Key features in your group that I will be checking are: Discussion Board, Virtual Class Room (chat), and File Exchange. Of course, some groups may not want to use chat- and that is fine with me. But, **I require all groups and group members to make good use of their Group DB and File Exchange tools for the reason stated in above.** For any technical difficulty of these group tools, you can call our Digital Campus at 8-6892 or 8-7373; or just email them. One more thing, as said earlier, I recommend each group to choose a Leader; or if no action by your team mates, you may volunteer yourself as leader and if agreed by majority, start leading. That simple!

EXAMS:

1. Both exams will be "Take Home" exams (note the Final is comprehensive as stated earlier); and are designed as individual exams. This means only you should, and will have to, answer the questions and submit your work as instructed. I will post the question(s) for each exam in the Assignment area of your classroom as scheduled.

Caution: Due to the design nature of "Take Home" exams, please understand that those who pass them must have accumulated a good working knowledge of the issues studied and examined in the classroom. Furthermore, to earn an A in each exam, one has to have mastered all the assigned materials and content. Most people however fall between passing grade (C) category and superior performance (A) category. At any rate, the reason

for this early warning/caution was the fact that I did not want you to get the wrong idea about such tests :-)

Needless to say that for all exams **and** any other individually-assigned-graded work, **all the University Policies on Plagiarism will be in full force. Make sure you fully understand and follow the related section on Plagiarism in what follows toward the end of the syllabus.**

2. Finally, to test your understanding of each chapter or segment, make sure to attempt to answer the questions posed at the end of each chapter as well. For valuation lectures, I will give you enough work for practice.

ONLINE EXPECTATIONS, EXPLANATIONS AND DEADLINES

GENERAL

1. All times in this course are stated in Pacific Standard Time (PST).
2. An online class requires self-discipline, more independent work, time management, and at least same amount of time commitment and work- if not more- as a traditional face-to-face class. So please if you have any other perception about this class, or you think the online classes are lighter, I seriously advise you to re-think your rationale and possibly change your class right away. On a positive note however, there are many advantages to online learning; and complete flexibility is one of them- flexibility in time, place, learning method, evaluation methods, ... With online classes, you are actively involved in your own learning process. And I am here to help you to achieve the goal(s) you have set for yourself in this class.
3. **The university's policy on plagiarism will be in full force for all the evaluation instruments throughout the semester:**

Honor Code: "Members of the CSU Fresno academic community adhere to principles of academic integrity and mutual respect while engaged in university work and related activities." You should:

- a) understand or seek clarification about expectations for academic integrity in this course (including no cheating, plagiarism and inappropriate collaboration)
- b) neither give nor receive unauthorized aid on examinations or other course work that is used by the instructor as the basis of grading.
- c) take responsibility to monitor academic dishonesty in any form and to report it to the instructor or other appropriate official for action.

Cheating and Plagiarism: "Cheating is the actual or attempted practice of fraudulent or deceptive acts for the purpose of improving one's grade or obtaining course credit; such acts also include assisting another student to do so. Typically, such acts occur in relation to examinations. However, it is the intent of this definition that the term 'cheating' not be limited to examination situations only, but that it include any and all actions by a student that are intended to gain an unearned academic advantage by fraudulent or deceptive means. Plagiarism is a specific form of cheating which consists of the misuse of the published and/or unpublished works of others by misrepresenting the material (i.e., their intellectual property) so used as one's own work." Penalties for cheating and plagiarism range from a 0 or F on a particular assignment, through an F for the course, to expulsion from the university. For more information on the University's policy regarding cheating and plagiarism, refer to the Class Schedule (Legal Notices on Cheating and Plagiarism) or the University Catalog (Policies and Regulations).

Again, please note that **university's policy on plagiarism will be in full force for all the evaluation instruments throughout the semester.**

4. **Other. No excuses-** like “I mistakenly uploaded the wrong file”. Imagine what happens if you do this to your boss/client in the real world! Finally, if any instruction item throughout this course is not clear to you, do not assume anything- just ask!

More on Plagiarism- Definition

Academic dishonesty, including cheating and plagiarism, will not be tolerated. It is a violation of ethical principles and university policy. Plagiarism involves taking or using the writings or inventions of another and claiming them as one's own. It also means quoting directly from any source without giving credit to the true author and without using quotation marks.

Cheating is defined as any intent to deceive your instructor in her effort to grade you fairly based on your own effort and work. Cheating involves anything that can possibly affect the fairness of grading. This also means that when you collaborate, as is permitted in many of the work for this course, you may not use the words of your classmates or anyone else from whom you obtain information. Instead, you may consult, but you must write in your own words.

To reiterate, academic dishonesty includes, but is not limited to:

- Copying another persons' examination, paper, research or creative project;
- Submitting another's work as one's own (emphasis added)"

The syllabus clearly provides for a remedy in the case of cheating:

"Anyone caught cheating or plagiarizing can suffer any of the following sanctions: 0 for an exam or assignment, F for the course, and/or expulsion from the university. Additional potential penalties include suspension, probation, and termination of financial aid, and any other University remedies. At a minimum, cheating or plagiarism in this class will result in a zero for the assignment involved and a report of the incident to the Dean of Student Affairs."

Source: Professor Ida Jones' paper on plagiarism, Spring 07

SPECIFICS

5. To find about the nature of each evaluation instrument, please click on the appropriate links on the navigation panel on Bb. All Weekly Assignments (WAs), Group Projects, and the Exams are/will be available under the “Assignment” folder on the navigation panel on Bb.
6. **LATE WORK POLICY. This policy is only for WAs and Group Projects. Late exams- even by a fraction of an hour will NOT be accepted at all and will earn zero points; unless there are emergency reasons which need to be documented and proved.** For each 24 hours late hour submission, or a fraction thereof, 20% of the grade for that particular work will be taken off. So, please plan ahead and do not wait until the due times/dates. The fact that the Internet is available anywhere and any time, there should not be any excuses for any late submission. Legitimate and provable emergencies will be considered case by case.

GRADING Scale:

GRADES FOR THIS CLASS WILL BE DETERMINED BY THE FOLLOWING ARRANGEMENT:

- A: 900-1000
- B: 800- 899
- C: 700- 799
- D: 600- 699
- F: 599 AND BELOW.

FINAL SYLLABUS NOTE: The above Syllabus/schedule and procedures for this course are subject to change in the event of extenuating circumstances. Enjoy! 😊