

North Carolina State University
College of Management
Department of Business Management
Spring 2005

BUS 529
New Firm Financing

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Class Hours and Location: Mondays 6:00 - 8:50pm, 1140 Nelson Hall
URL, Public BUS 529 Web Site: <http://www4.ncsu.edu/unity/users/k/kmitchel/www/bus529/home.html>
A separate site with the course materials, accessible to students enrolled in BUS 529, is maintained at another URL.

Course Prerequisite: BUS 520, Managerial Finance

Course Description: BUS 529 surveys financial management problems unique to entrepreneurial firms from the start-up phase through exit via acquisition or an initial public offering. The first third of the course seeks to introduce students to the theory, tools, and institutions of entrepreneurial financial management. This material is delivered using the traditional techniques of lecture, case discussion, and problem-solving assignments. The middle segment of the course exposes students to entrepreneurial finance in practice through guest lectures by members of the local entrepreneurial finance community. The final phase of the course helps students develop analytical, presentation and negotiating skills essential for success as an entrepreneurial financial manager. Students identify and analyze the financial management problems in a series of real-life cases, then role play as entrepreneurs and investors to raise money and close the deal.

Course Objectives: By the end of the semester students should:

1. know how and why financial management differs between corporate and entrepreneurial firms.
2. understand the financial management implications of a firm's organizational form, including the implications for founders' incentives and ease of fund raising and exiting.
3. be able to translate founders' business model into pro forma financial statements for presentation as the financial section of a business plan.
4. understand the sources of funds available to entrepreneurial firms at each stage of development and the rudiments of raising funds from these sources, especially angel investors, venture capitalists and commercial banks.
5. be able to value the entrepreneurial firm using a variety of approaches.
6. understand alternative routes for exiting a business and harvesting founders' investment.

Required Text and Materials: The materials for this course are distributed electronically to students registered for BUS 529 at the private BUS 529 web site.

Grading: Course grades will be computed as follows:

Assignments:	50%
Midterm Exam (tentatively set for 21 March):	15%
Presentation:	15%
Negotiation Exercise (tentatively set for 2 May):	10%
Participation	<u>10%</u>
Total	100%

Assignments: Assignments entail solving (messy) real-world problems. Although students are expected to turn in individual work, collaborations among students are encouraged. Please make sure that all work submitted for grading is legible, neat, and presented in a professional fashion.

Midterm Exam: This in-class (closed-book) exam will cover material from the first part of the course.

Presentation and Negotiation Exercise: In the last third of the course students will team up and role play as either entrepreneurs or financiers. Entrepreneurs will make presentations aimed at raising money while financiers will make presentations recommending either that entrepreneurs be funded or denied funding. Presentations are tentatively scheduled for 28 March and 4, 11, 18 and 25 April. In the negotiation exercise, tentatively set for 2 May, entrepreneurs will negotiate for funds on terms specified in a term sheet prepared by financiers.

Participation: Students are expected to attend all class periods and to have read the assigned articles and cases in advance of class (although not necessarily with perfect comprehension). Advanced preparation and class participation are crucial for periods in which we discuss cases. During discussion sessions I generally keep track of the insightful and useful comments students make. (Talk for talk's sake is not rewarded.) I tend to grade participation as follows: 95 (a couple of good comments), 85 (a good comment), 75 (showed up for the discussion), 50 (absent).

I have no preconceived notions about appropriate numbers of As, Bs, and Cs. I use plus/minus grading with "cut-off points" determined as follows:

96.67 and up	A+	86.67 - 89.99	B+	76.67 - 79.99	C+
93.33 - 96.66	A	83.33 - 86.66	B	73.33 - 76.66	C
90.00 - 93.32	A-	80.00 - 83.32	B-	73.32 or less	C-

Communication:

I update the private BUS 529 web site frequently and place old pages in the "Archives" section. When I have an urgent message I use e-mail. Please make sure your e-mail address with the NCSU directory is accurate because it is the address I use to reach you.