



FIN 580

Entrepreneurial Finance

Module 4, 2018-2019

Course Information

Instructor: Seungjoon Oh

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Office Hour: Mon 11:00am-12:00pm (or by appointment via email)

Teaching Assistant: TBD

Phone:

Email:

Classes:

Lectures: Mon & Thu 13:30-15:20pm

Venue: PHBS Building, Room 229

1. Course Description

1.1 Context

Course overview:

The capital market for entrepreneurs is fundamentally different from the capital market for public firms. The objective of this course is to provide an understanding of entrepreneurs' financing decisions from the perspectives of both the entrepreneurs and the investors - venture capital and private equity. This course will address how to evaluate entrepreneurial business opportunities, structure financial decisions, and realize returns through IPO and M&A.

Prerequisites:

The course presumes that students have taken basic courses in accounting, economics, finance and econometrics before taking this course. Students are recommended to have completed the following courses: "Corporate Finance".

1.2 Textbooks and Reading Materials

Lecture notes, assignments, cases and other useful information will be posted on the course web page.

Reference text: *Entrepreneurial Finance* by J. Chris Leach, and Ronald W. Melicher. 5th Edition, 2015, South-Western, Cengage Learning.

Reference text: *Entrepreneurial Finance: Strategy, Valuation, and Deal Structure* by Smith, Smith, and Bliss, Stanford University Press

Reference text: *Venture Capital Valuation: Case Studies and Methodology* by Lorenzo Carver, Wiley Finance

2. Learning Outcomes

2.1 Intended Learning Outcomes

| Learning Goals | Objectives | Assessment (YES with details or NO) |
|--|---|-------------------------------------|
| 1. Our graduates will be effective communicators. | 1.1. Our students will produce quality business and research-oriented documents. | |
| | 1.2. Students are able to professionally present their ideas and also logically explain and defend their argument. | |
| 2. Our graduates will be skilled in team work and leadership. | 2.1. Students will be able to lead and participate in group for projects, discussion, and presentation. | |
| | 2.2. Students will be able to apply leadership theories and related skills. | |
| 3. Our graduates will be trained in ethics. | 3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it. | |
| | 3.2. Our students will practice ethics in the duration of the program. | |
| 4. Our graduates will have a global perspective. | 4.1. Students will have an international exposure. | |
| 5. Our graduates will be skilled in problem-solving and critical thinking. | 5.1. Our students will have a good understanding of fundamental theories in their fields. | |
| | 5.2. Our students will be prepared to face problems in various business settings and find solutions. | |
| | 5.3. Our students will demonstrate competency in critical thinking. | |

2.2 Course specific objectives

2.3 Assessment/Grading Details

| Assessment task | Weighting |
|---------------------------------------|-----------|
| Mid-term Exam | 40 |
| Final Team Project | 40 |
| Case study discussion and Assignments | 12 |
| Class participation | 8 |
| Total | 100 |

Team Project:

Students will be asked to form teams of 4-5 individuals prior to the start of the second session of the class to prepare a class presentation on a pre-specified topic. Presentations will start at week 6 and last until the end of the module. Your team project includes a final report which should be turned in electronically on or before the last day of week 9. Each team should choose a target firm for the following topic:

Topic: Venture Capital Investment

The objective of this project is to understand VC investment process by analyzing an existing small to medium sized firm. You group will prepare a paper on potential VC investment and present your valuation results and investment plan to the class. An outline of the topics your paper should cover will be provided.

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

3. Topics, Teaching and Assessment Schedule

| Week | Topic |
|-------------|---|
| 1 | New Venture Financing: Considerations and Choice <input type="checkbox"/> Introduction to Entrepreneurial Finance <input type="checkbox"/> Venture Life Cycle <input type="checkbox"/> Sources of New Venture Financing |
| 2 | Venture Capital <input type="checkbox"/> Development of the VC Market <input type="checkbox"/> Organization of Venture Capital Firms <input type="checkbox"/> VC Contracts <input type="checkbox"/> Development of Corporate Venture Capital |
| 3-4 | Valuation 1 <input type="checkbox"/> Venture Capital Valuation Methods <input type="checkbox"/> Relative Valuation <input type="checkbox"/> Precedent Transactions Analysis <input type="checkbox"/> Discounted Cash Flow Analysis: Private company valuations |

| | |
|------------|---|
| | <u>Case Study</u> Valhalla Partners Due Diligence by Sahlman |
| 5 | Valuation 2 <input type="checkbox"/> Venture Strategy and Real Options <input type="checkbox"/> Valuing Growth Potential |
| 6-7 | Harvesting the Business Venture Investment <input type="checkbox"/> Initial Public Offering <input type="checkbox"/> Acquisition <input type="checkbox"/> IPO Valuation <u>Case Study</u> Brazos Partners and the Tri-Northern Exit by Rhodes-Kropf and Burbank |
| 8-9 | Team Project Presentation |

4. Miscellaneous