



## **LNDN BUSN 3387 Finance for Entrepreneurs and Startups**

### **CAPA LONDON PROGRAM**

#### **Course Description**

The “Finance for Entrepreneurs and Startups” course provides an understanding of how new ventures founded by entrepreneurs obtain financing in their quest to expand. In a global world dominated by high tech ventures of the likes of Apple, Amazon, Facebook, Netflix, Google, Alibaba and TenCent to name but a few, how do these ventures become so successful in the marketplace and have a market value worth in excess of hundreds of billions of dollars? Apple is the world’s 1<sup>st</sup> \$2trillion-dollar company. The course exposes the students to the opportunities and risks associated with new entrepreneurial ventures, how to obtain financing, who are the venture capital investors and the stages of a successful venture.

#### Localized Context:

With its global presence, CAPA offers students the opportunity to enrich their academic experience by exposing and exploring the localized context of the CAPA London Centre. London is the leading venture capital of Europe and 2nd only behind Silicon Valley as a world-renowned venture capital centre.

London has the benefit of being host to the financial centre of the City of London with a host of world class universities in London such as University College London, Imperial College and London School of Economics producing world class research. Together with the cities of Cambridge and Oxford, London is at the heart of the Golden Triangle of leading universities, entrepreneurs and a global financial centre.

The Entrepreneurial Finance students will be expected to develop and expand their understanding of this local context of the UK’s role in the global and European venture capital market-place. The ‘Business Plan for New Venture’ project provides the students an opportunity to explore the opportunities for creating a new venture in this localized context and to demonstrate their learning outcomes from this unique opportunity provided through studying Entrepreneurial Finance at the CAPA London Centre while the ‘Group Pitch to Investors’ hopes to simulate the tension of a real live pitch for funds to investors.

#### **Course Aims**

The broad aims of the course are to provide students with the necessary understanding of how startups work, how entrepreneurs raise venture capital through successive financing rounds, how start-ups are valued from a financial valuation perspective and how new venture and entrepreneurial finance fits with global financial markets. In addition, the course will support student learning through site visits to entrepreneurial ventures and financial centers and provide an in-depth understanding of the process and techniques used to make venture investment decisions.

#### **Requirements and Prerequisites**

Students must have a business background and have taken an introductory finance course. The course emphasizes this academic area from a global perspective. Students with a high degree of motivation and desire to learn about the financial world of start-ups and their impact on international and global aspects of business will benefit from this course.

#### **Learning Outcomes**

After taking this course, students should be able to:

- a. Gain a broad understanding of the key issues in entrepreneurial and venture finance for entrepreneurs and start-ups.
- b. Develop an understanding of the political and economic context within which venture finance operates.
- c. Apply the various theoretical aspects of the principles of finance in a venture finance context.
- d. Gain a good working knowledge of the key issues for startups and their impact in an international context.
- e. Develop a real insight through working on a business plan for a new venture.
- f. Gain experience of pitching a business plan for funds to investors.

## **Developmental Outcomes**

Students will develop the following skills during this course:

- a. Problem analysis
- b. Critical thinking
- c. Working independently and as part of a team
- d. Personal reflection
- e. Goal orientation
- f. Self-confidence

## **Class Methodology**

This class will be participative and will require students to contribute individually and as part of a team. The course content and delivery will create a framework where students reflect critically on the weekly discussion topics. The students will be expected to devote an hour per day keeping up with the current issues in venture finance and new startups. (Expected reading sources should include The Economist, Financial Times and The Wall Street Journal). The teaching and learning methods will be a blend of the following:

- a. Lectures
- b. Reflections & observations
- c. Readings on current topics
- d. Class discussions
- e. Student presentations and/or working on a business plan.
- f. Live group pitch for funds to external investors

## **Field Components**

CAPA provides the unique opportunity to learn about the city through direct, guided experience. Participation in field activities for this course is required. You will actively explore the Global City in which you are currently living. Furthermore, you will have the chance to collect useful information that will be an invaluable resource for the essays/papers/projects assigned in this course.

## **Networking, Conferences and Mini-Career Sessions**

Faculty will regularly inform students of relevant venture finance and investment conferences, webinars, events and networking sessions (including early evening networking receptions) during the semester when students will be able to network with industry professionals and leading players in venture and entrepreneurial finance. A mini career session will be held during the semester.

## **Mid-Term & Final Exams**

The mid-term and final exam consist of either short questions with open answers on topics covered in class to date (60 minutes) and/or short essay writing on thematic clusters (90 minutes). More elaboration and instructions will be provided by the Instructor after the first week of classes.

## **Assessment/Grading Policy**

Descriptor	Alpha	UK	US	GPA
Excellent	A	75+	93+	4.0
	A-	70-74	90-92	3.7
Good	B+	66-69	87-89	3.3
	B	63-65	83-86	3.0
	B-	60-62	80-82	2.7
Average	C+	56-59	77-79	2.3
	C	53-55	73-76	2.0
Below Average / Poor	C-	50-52	70-72	1.7
	D+	46-49	67-69	1.3
	D	40-45	60-66	0.7
				1.0
Fail	F	<40	<60	0

## Grade Breakdown and Assessment of Learning Outcomes

Assessment Task	Grade %	Learning Outcomes	Due Date
<b>Class participation/Small group discussion</b>	10%	a, b, c, d	Weekly
<b>Group Pitch to Investors (Group) (up to 5 students)</b> 1 X 15-20 min. Group presentation	20%	b, c.	Week 13
<b>Mid-term exam</b>	20%	a, b, c	Week 6
<b>Preparation of 'Business Plan for New Venture'</b>	20%	b, c, d	Week 9
<b>Final Exam</b> Short questions (10%) Essay (20%)	30%	all	Week 14

## Assignments

Students must complete all required components for this course by the established deadlines. Failure to do so will result in a reduction of the course grade and may result in a grade of F for the course in question.

'Business Plan for New Venture' & 'Group Pitch to Investors' Assessment Guidelines

'Group Pitch to Investors': Week 13

'Business Plan for New Venture' Submission Deadline: Week 9

For the Group Pitch to Investors, each group (up to 5 students) will work on a business plan pitch for funds to new investors. Provide an outline of your chosen business venture, the Unique Selling Proposition, amounts of funds needed, etc. Please note that this presentation is a group effort and should be limited to 15 slides and 20 minutes (max). There will be a Q&A session following the presentation. The students will be given oral feedback on their presentations.

'Business Plan for New Venture' Guidelines

To obtain an A grade, the submission will have to meet ALL three requirements: (1) theoretical discussion; (2) good presentation of new business venture; and (3) thorough analysis. Any submissions that do not meet all the criteria will be downgraded.

All papers may be written in a style with which you are comfortable, writing in either first or third person and, if this helps your expression and organization of ideas, you may use headings to aid the structure. However, whatever style you adopt, remember that this is an academic assignment and you should cite references where appropriate to all sources. In the body of the text, references should state in parenthesis, the author's family name followed by the year of publication – (Smith, 2013). At the end of the paper you must insert a bibliography containing only those works cited in the essay.

You will provide 2 status updates through the term (Weeks 5, 8) on the progress you have made to date on your 'new venture' project. These updates can either be an oral or a written brief report which will enable the Instructor to provide you with the necessary guidance and feedback. It is important that you come well prepared for these status updates.

### Localized Context:

The students are required to identify relevant new business venture ideas within the localized context of the UK and Europe to benefit from their presence in London, the UK and Europe. These new business venture ideas should be discussed with the Instructor in advance. Preparatory work would include developing good reading sources such as the Financial Times, the Economist and the Wall Street Journal to gain a better understanding of the localized context.

### **Dress Code**

Casual – Smart Casual

### **Course Materials**

#### **Required Readings:**

Leach, J. C., Melicher, R. (2018) – Entrepreneurial Finance (Cengage, 6th Edition) ISBN 9781305968356.

J. Chris Leach, Ronald Melicher (University of Colorado at Boulder)

Published: © 2018

Print ISBN: 9781305968356

Pages: 752

It is fine to use later editions or online versions of the textbook. You could obtain used copies of the book at substantial discounts through the online marketplace. The book is also available for electronic download through the publisher.

The international financial and new venture sections of the Wall Street Journal, Business Week, the Economist and Financial Times are recommended reading for this course. Students should either have a subscription, or access, to a copy of these publications. Other readings relevant to the subject matter being discussed will be assigned during the semester. References taken from Wikipedia are not acceptable.

#### **Recommended Reading(s):**

Students are advised to review assignments and readings. If you do not have access to sufficient additional resources from your home institution to complete the coursework for this class, you may request access to other on-line library resources.

## Weekly Course Schedule

WEEK 1	
Lesson Number / title	<b>Organizing for New Ventures</b>
Out of Class Activity	Work on 'Business Plan for New Venture' – Week 1
In–class activity	Introductions, student interests, relevant prior coursework & experience Course map, format, required work and assessments The Successful Venture Life Cycle Financing Through the Venture Life Cycle
Readings	<b><u>Chapter 1, 2 and 3</u></b>
WEEK 2	
Lesson Number / title	<b>Measuring and Evaluating Financial Performance – Part 1</b>
Out of Class Activity	Work on 'Business Plan for New Venture' - Week 2
In–class activity	The Process for Obtaining and Recording Resources for an Early Stage Venture Prepare Income Statement and a Basic Balance Sheet Prepare a Cash Flow Statement and Monitor a Venture's Cash Position
Readings	<b><u>Chapter 4 and 5</u></b>
WEEK 3	
Lesson Number / title	<b>Measuring and Evaluating Financial Performance – Part 2</b>
Out of Class Activity	Work on 'Business Plan for New Venture' – Week 3
In–class activity	Operating Break Even and Major Drivers on Revenues for an Early Stage Venture Financial Ratios to Monitor a Venture's Performance
Readings	<b><u>Chapter 4 and 5</u></b>
WEEK 4	
Lesson Number / title	<b>New Venture Financing</b>
Out of Class Activity	Work on 'Business Plan for New Venture' – Week 4
In–class activity	Various Stages of a Successful Venture's Life Cycle Venture Capital Screening Process Major Elements of the Venture Capital Cycle Conditions to be Negotiated when Structuring Venture Capital Financing
Readings	<b><u>Chapter 11 and 12</u></b>

<b>WEEK 5</b>	
<b>Lesson Number / title</b>	<b>The Business Plan and Financial Planning</b>
Out of Class Activity	Work on 'Business Plan for New Venture' – Week 5
In–class activity	Primary Components of a Typical Business Plan for a New Venture Criteria to Assess New Venture's Feasibility and its Ability to Attract External Finance Process of Identifying the Additional Funds Needed to Support Sales Forecasts Connect Sales Growth Rates to Additional Funds Needed
Readings	<b><u>Chapter 2 and 6</u></b>
<b>WEEK 6</b>	
<b>Lesson Number / title</b>	<b>Mid-Term Test</b>
Out of Class Activity	Work on 'Business Plan for New Venture' – Week 6
In–class activity	'Business Plan for New Venture': 1 <sup>st</sup> status update
Assignments	'Business Plan for New Venture': <b>1<sup>st</sup> Status Update</b>
<b>WEEK 7</b>	
<b>Lesson Number / title</b>	<b>MID TERM BREAK</b>
<b>WEEK 8</b>	
<b>Lesson Number / title</b>	<b>New Venture Valuation – Part 1</b>
In–class activity	Cash Flows and Determination of Future Venture Value Forecast Period and Terminal Value Cash Flows Hurdle Rate, Cost of Capital and Realised Rate of Return
Readings	<b><u>Chapter 7, 9 and 10</u></b>
Out of Class Activity	Work on 'Business Plan for New Venture' – Week 8
In–class activity	'Business Plan for New Venture': 2 <sup>nd</sup> status update
Assignments	'Business Plan for New Venture': <b>2<sup>nd</sup> Status Update</b>
<b>WEEK 9</b>	
<b>Lesson Number / title</b>	<b>New Venture Valuation – Part 2</b>
Out of Class Activity	Work on 'Business Plan for New Venture' – Week 9
In–class activity	Use of Multipliers to Estimate the Continuing Value of a New Venture How to Use the Venture Capital Method of Valuation Understand the Impact of Future Financing Rounds of Venture Financing
Readings	<b><u>Chapter 7, 9 and 10</u></b>
Assignments	<b><u>'Business Plan for New Venture' - Submission deadline</u></b>

<b>WEEK 10</b>	
<b>Lesson Number / title</b>	<b>Financial Structure and Contracts</b>
Out of Class Activity	Group Work on 'Group Pitch to Investors' – Week 1
In–class activity	How to Examine a Term Sheet and What Provisions to Expect Understand the Key Elements and Clauses of Investment Agreements Understand Why Venture Capitalists Use Preferred Shares in Financial Structures Influence of Financial Structure and Contracts on Upside Rewards to Entrepreneurs and Investors
Readings	<b><u>Chapter 13</u></b>
<b>WEEK 11</b>	
<b>Lesson Number / title</b>	<b>Due Diligence</b>
Out of Class Activity	Group Work on 'Group Pitch to Investors' – Week 2
In–class activity	Definition of Due Diligence Understand the Due Diligence Process Review Typical Due Diligence Questions
Readings	<b>Various readings (tbc)</b>
<b>WEEK 12</b>	
<b>Lesson Number / title</b>	<b>Exit and Turnaround Strategies</b>
Out of Class Activity	Group Work on 'Group Pitch to Investors' – Week 3
In–class activity	Planning of an Exit Strategy for Entrepreneurs and Investors Possible Exit Outcomes of Venture Investments Process of Going Public Understand the Financial Viability of Alternative Exit Strategies Financial Distress Faced by Troubled Ventures
Readings	<b><u>Chapter 14 and 15</u></b>
<b>WEEK 13</b>	
<b>Lesson Number / title</b>	<b>Group Presentation – 'Group Pitch to Investors'</b>
Meeting time and Venue	
In–class activity	Group presentation limited to 15 slides & 20 minutes (max). All students to present.
<b>WEEK 14</b>	
<b>Lesson Number / title</b>	<b>Final Exam</b>
Meeting time and Venue	

## Attendance, Participation & Student Responsibilities

**Attendance:** CAPA has a mandatory attendance policy. Attendance is taken at the beginning of every class. Unless otherwise expressed by your instructor, the first time a student has an unexcused absence for a class, their grade will not be impacted. The second time a student has an unexcused absence in that class, it will result in a 3 percent reduction of the final grade (for example: an A- [92] will become an B+ [89]). The student will be placed on academic probation at this time. Three unexcused absences per class will result in failure of the course. A pattern of three absences in more than one course will result in dismissal from the program.

**Excused Absences:** Absences are only excused for medical reasons, for a family emergency or for a religious holiday. To request an excused absence, students must contact the Academic Director ahead of time at [excused.absence@capa.org](mailto:excused.absence@capa.org) and provide evidence (e.g. a doctor's note) of the reason for their absence, otherwise the absence will not be excused. Even if the student knows the absence will not be excused, the student should still contact CAPA to inform CAPA they will not be in class.

In addition to contacting the Academic Director at [excused.absence@capa.org](mailto:excused.absence@capa.org), it is the responsibility of the student to contact their instructor and make up any missed assignments.

**Class Participation:** Students are expected to participate actively and critically in class discussions, and the participation portion of the class will be graded accordingly. Students must read assignments BEFORE the class, and come in on time. Participation is a vital part of your grade: students are expected to participate orally in seminars and in online forums and discussions in a critical and evaluative manner; to interact with the faculty and fellow students with respect and tolerance; and to actively engage in discussion. Derogatory or inflammatory comments about the cultures, perspectives or attitudes of others in the class will not be tolerated.

*Any student who feels they may need an accommodation based on the impact of a physical, psychological, medical, or learning disability should contact the instructor and/or the director of academic affairs privately to discuss your specific needs.*

**Academic Integrity:** A high level of responsibility and academic honesty is expected. Because the value of an academic course depends upon the absolute integrity of the work done by the student, it is imperative that a student demonstrates a high standard of individual honor in his or her scholastic work and class behavior. Plagiarism, self-plagiarism and cheating can result in dismissal from the program.

Self-plagiarism, copying an assignment entirely or partially to submit to a different class in an attempt to receive credit twice for one piece of work is unacceptable and considered cheating by duplication. Students risk receiving an "O" for any assignments in which they have duplicated their own work.

All substantial writing assignments (typically anything worth 20% or more of the final course grade) will be run through the plagiarism checking software Turnitin when submitted via CANVAS. See CAPA's Academic Standards and Policies for more information and resources on plagiarism.

**Sexual Misconduct, Required Reporting, and Title IX:** CAPA The Global Education Network is committed to encouraging a safe and healthy environment at our seven CAPA centers. This commitment includes the understanding of, and applicable adherence to, the guidelines outlined in Title IX of the Education Amendments of 1972. Title IX necessitates that US universities provide equity in all educational programs and activities without sex discrimination.

CAPA understands the implications of Title IX compliance for our institutional partners and thus endeavors to support this compliance as a vital aspect of partnership. The safety and security of all students during a program is a matter of crucial importance to CAPA. To facilitate this, CAPA encourages students to openly disclose any and all information that is Title IX relevant so that CAPA staff can provide support and connect students with appropriate resources. Because students may not understand the implications of Title IX abroad, CAPA will work to advise students about the resources available through Title IX and explain the importance of compliance in Title IX reporting. CAPA will work to build student confidence in CAPA's status as a mandated reporter by outlining the advantage of disclosure for the student, reassuring them that any information disclosed will not be used in an inappropriate manner, and stressing that individuals will only be informed on a need-to-know basis.

**Use of electronic equipment in class:** All devices such as laptops, i-pods, i-pads, netbooks, notebooks and tablets, smartphones, cell phones, etc. are **NOT** allowed unless you have express permission from the faculty or you have been instructed to do so. If you require an accommodation to use any type of electronic equipment, inform the Associate Director of Academic Affairs at the beginning of Term.

**Use of Electronic Translators:** In Language courses students are NOT allowed to use electronic translators for writing texts in the target language: those submitting compositions and texts of whatever kind translated in such a fashion will receive a final F grade for the course.



**Late Submission:** Late submission of papers, projects, journal entries, pieces of homework and portfolios is only permitted with prior approval. A request for an extension must be made to the relevant faculty member no later than two days prior to the due date. Late submission without prior approval will result in a 3 percent per day deduction of the final grade. In either case, work cannot be submitted after feedback has been provided to the rest of the class on the relevant assessment or one week after the due date whichever comes first, after which point a grade of "0" will be given for the assessment.

**Behaviour during Examinations:** During examinations, you must do your own work. Unless specifically instructed by the lecturer or instructor, talking during an exam is not permitted, nor may you compare papers, copy from others, or collaborate in any way. Any failure to abide by examination rules will result in failure of the exam, and may lead to failure of the course and disciplinary action.