



## **ADMN-4896 Entrepreneurial Finance**

School of Business

Winter 2015

Course syllabus

- **Lectures: T 3:30-6:20 p.m. (room A128 but can be changed if the number of students exceeds 12 that is quite likely this year. Check the Blackboard website for announcements)**
- **Professor: Anton Miglo, <http://faculty.nipissingu.ca/antonm>**
- **Office: H118**
- **Phone: (705) 474-3450 ext. 4810**
- **E-mail: [antonm@nipissingu.ca](mailto:antonm@nipissingu.ca)**
- **Office hours: T 1:30-3:00 p.m. or by appointment (no problem!)**

### **1. Course Materials**

- Class handouts (word files), cases (excel files), lecture slides (PPT files). Available on Blackboard free for students in the class
- <https://cb.hbsp.harvard.edu/cbmp/access/31644871>

*Optional materials* (some of these books will be available in the library reserve)

- Small Business Management, Sixth Canadian Ed. J. Longenecker et al. ISBN-13: 9780176532215 2016 or Fifth Canadian Edition ISBN-13: 9780176503901 2013
- Entrepreneurial Finance, 6/E P. Adelman et al. ISBN-10: 0133140512 • ISBN-13: 9780133140514 2014 • Prentice Hall • or 5 ed.
- Entrepreneurial Finance, 5th Edition J. Chris Leach et al ISBN-10: 1285425758 | ISBN-13: 9781285425757 2015 or 5 ed.

### **2. Entrepreneurial finance on-line game**

In order to illustrate more vividly the material covered in this course, students will participate in the on-line game on the Marketplace Live website ([gm.marketplace-live.com](http://gm.marketplace-live.com)). Your game is "AMig-EntreprenFinW15", with Game ID "8099-0004-0924". In order to play the game you need to get a license number from the instructor. Also the team number should be discussed with the instructor. This site is considered as one of the best on-line entrepreneurial game for university students. The objective of the game is to become familiar with the process of creating a new company.

### **3. Course Description**

In this course we will study the financial management of entrepreneurial firms (small and medium sized) and venture firms. We first consider different sources of financing for entrepreneurial firms including bank loans, government funding, angels, venture capital, peer-to-peer financing, on-line banking and the various types of private equity and what is the process of obtaining access to these sources. We then consider short-term financial planning and cash management that are crucial for early stages of entrepreneurial firm's development. We then will analyze the financial performance of entrepreneurial firms, financial forecasting and preparation of pro-forma statements. Following that, we will look at the valuation of entrepreneurial and venture firms, the ways to structure agreements and choose the firm's capital structure to properly align the incentives between the entrepreneur and investors and also analyze the decision-making process of choosing a right mix of financing sources for entrepreneurs. Special attention will be paid to entrepreneur's personal financial portfolio management, including risk management, insurance, and real estate investments. We will also discuss various exit strategies, liquidation events and investment vehicles that enable the entrepreneur to plan for retirement. Special attention will be paid to new forms of entrepreneurship on financial markets including on-line trading. Business cases and real world applications are used extensively throughout the course. A significant part of the course will be dedicated to using computational skills in Excel and using these skills in financial management.

#### **4. Course Objectives**

Upon completion of this course, each student will be able to:

- Understand the difference between different sources of financing available for entrepreneurial firms
- Know the stages of firms financial life cycle
- Understand the concepts of the company's cost of capital and capital structure
- Evaluate advantages and disadvantages of sources for a firm's new funding
- Determine the impact of debt/equity choice on the cost of capital and value of the firm
- Make optimal choice of sources of financing for an entrepreneurial firm
- Understand the process of obtaining bank loans, angels, venture capital, peer-to-peer financing, on-line banking and the various types of private equity
- Manage firm's cash flow
- Make short-term financial plans
- Project financial statements including cash flow statement, balance sheet and income statement
- Analyze the financial performance of entrepreneurial firms, financial forecasting and preparation of pro-forma statements
- Discuss and interpret case studies in financing strategies
- Make short-term and long-term financial plans for entrepreneurial firms
- Understand major problems of financial management in entrepreneurial firms
- Understand new entrepreneurial ideas on financial markets including on-line trading
- Apply risk management including personal investment vehicles
- Apply risk management including personal investment vehicles that enable the entrepreneur to plan for retirement
- Understand different exit strategies available for entrepreneurs

## **5. Intended Audience**

Undergraduate students at Nipissing University.

## **6. Special Accommodations**

Students with disabilities or special needs are advised to contact Nipissing's Special Needs Office for information regarding its services and resources. Students are encouraged to review the Calendar for information regarding all services available on campus.

## **7. Prerequisites**

ADMN 3116 Financial Management 1. Basic excel skills represent an advantage although are not required.

## **8. Mode of Instruction**

The course will be mostly on-site classes with a take-home assignment, entrepreneurial finance on-line game, cases (projects) and quizzes. In the on-line game and cases students will work in teams.

Each lecture usually includes a short theoretical part, PPT presentation, work with Excel problems and a discussion of a business case or on-line game. Each student is required to meet professor at least 2 times during the semester for the discussion of his/her class participation and team work which are a very important for your business education.

## **9. Team Work**

Some projects and assignments are team-based (in this class teams usually consist of two members). I expect that each member of your group will participate EQUALLY in working on assignments. Please come and discuss with me any group problems as soon as they occur. All members of your team will receive the same grade on every team assignment. However, in the middle of course and in the end of course each member of your team should submit a peer rating form for each member of the team which will count for class participation points. In the beginning of the course, any student can decide to work on his own or to join a team. In the latter case the student can leave his/her team by the deadline indicated below and work on his/her own. In this case he/she is responsible for informing (in person or via e-mail) his/her teammate and me about his/her decision, submitting his/her own assignment and opening a new account in the On-line game. He/she can also join another team (a student who also does not have a teammate) upon mutual agreement confirmed personally or via e-mail to me by both students. The deadline for "leaving/joining" decisions is two weeks after the beginning of the course.

## **10. Integrity and Academic Honesty Standards**

Students are required to read and be familiar with the University's policy on academic integrity and honesty. Integrity is a crucial part of the academic experience. I expect you to be honest with me in all conversations, emails, and discussions and to treat fellow students and me with respect. Any and all violations will be reported to the University administration. By taking this course and by attending the University you agree to these conditions. If you can not abide by

these conditions you should withdraw from the course immediately. Please see me at any time with questions.

According to NU policy, cheating at tests or examinations includes, but is not limited to, dishonest or attempted dishonest conduct such as speaking to other candidates or communicating with them under any circumstances whatsoever; bringing into the examination room any textbook, notebook, or memoranda not authorized by the examiner, or leaving answer papers exposed to view. It is the student's responsibility to familiarize himself or herself with and adhere to the standards set forth in the policies on cheating and plagiarism as defined in Policy on Academic Dishonesty of Nipissing University available on <http://www.nipissingu.ca/calendar/regulations/academic/>.

### **11. Late Work**

On-line quizzes and assignments have a deadline which cannot be changed. However, for quizzes, I take 6 of your best results out of 7 (or 7 out of 8 depending on the total number of quizzes) so missing only one quiz should not significantly affect your grade. Other assignments (projects) should also be submitted prior to the deadline or on the deadline date (which is typically a class date) before the class begins (unless specified otherwise). If you missed any deadline for the reason consistent with university policy, you have to present a document (for example a note from a doctor indicating that you were not able to complete the work in time) and in this case you have 5 days (including weekends) to submit your work (it does not apply to final assignment or on-line quizzes). Without a valid excuse as recognized by the university it will be a 2 points penalty (for example, if maximal points for the assignment are 100, it will become 98) for each missed day. You have maximum 5 days to submit your work. Afterwards, a grade 0 will be given. If the medical note states that you were unable to work on your assignment for most time you can choose to transfer the weight of this assignment to the final assignment/test (automatically applies to on-line quizzes). Assignments which require a hard copy are not accepted via email, fax or via proxy unless specified otherwise. It should be handed to me personally and I will mark the submission. Assignments not handed in at the start of class on the due date are considered late and receive a 1 day penalty.

Weather policy. If the university is officially closed on the day of an assignment deadline the deadline will be extended. Otherwise no extensions are allowed. If you live far from the campus and anticipate transportation problems, do not wait until the last minute to submit the assignment.

### **12. Electronic Devices**

An electronic dictionary, laptop or Ipad may be used during class as long as there is no exam in progress. Cell phones, pagers, any cameras and Ipods, are not allowed to be used in class. There is NO videotaping, audiotaping, or photography allowed in or of the class.

### **13. Grading**

Grades will be determined as follows:

20% Quizzes

20% Assignment 1 (preliminary- Feb.15)  
30% Assignment 2 (preliminary –Mar. 30)  
30% Class participation

20% for quizzes will be split between in-class quizzes (10%) and other quizzes (10%) including pre-test quizzes and post-test quizzes. For in-class quizzes, I will not count the worst quiz for each student when calculating average. For example if there are total 6 in-class quizzes, 5 best results will be used for calculation. Also I will take the best of pre-test and post-test quizzes for each lecture. Afterwards I will select 5 of 6 best numbers for calculations.

The preliminary final grades will be posted on Blackboard approximately 1-2 weeks after the deadline for last assignment. If you are satisfied with your grade you don't have to take the final test. Otherwise you are welcome to discuss your grade with me and take the final test. I will then put the weight of 25% on the final test and then I will proportionately reduce the weights of all other assignments to keep the total 100%. For example, the weight of Assignment 1 will drop to 15% etc.

All questions about any of your assignment's grade can be asked no later than during two weeks after the grades for this assignment were posted on Blackboard. During the first week of classes students can discuss with professor any corrections to their grading schema on individual basis taking into account their individual factors (special circumstance etc.).

### **15. Class Participation.**

Class participation has weight of 30% in your final grade. It is an equivalent of 100 points. Points can be given for making classroom presentation, participating in on-line game, asking questions and answering questions in class or during office hours, and for some other activities such as posting comments on [www.journalofcapitalstructure.org](http://www.journalofcapitalstructure.org) website, your activities as a team member which were overlooked by your peers, discussions on-line, etc. (called "other activities" or OA throughout this section). It is almost impossible to evaluate these activities perfectly (although they become more and more important on university level) so I use the following approach.

First I record the dates of your visits to my office and I give you points when you attend office hours (up to 2 points times the number of weeks since your last visit (or the beginning of class if it's your first visit) but not more than 10 in total). The latter condition is the result of difficulties in remembering the details of your class participation for more than 5 weeks. So if you did not arrange 2 meetings with me during the course you may lose some class participation points. I use my notes about your class participation that I usually make after each class and class attendance reports. The criteria used to evaluate your weekly activities are:

0 – student did not attend the class and did not participate in OA or student demonstrated disruptive behavior including using internet for individual purposes.

1 – student did attend the class and participated in some discussions or questions/answers or OA.

2 - very active participation in class or good participation in class combined with OA.

If a student leaves early he/she should approach me in class to discuss his/her participation. Usually it will be 0 or 1 point in exceptional cases.

Second you can also receive up to 5 points from peer assessment in the middle of the course (done in the form of test on the Blackboard-participation gives 1 point) and up to 10 points in the

end of the course. Students who chose to work individually do not receive these points. They however, can be given up to 4 points (as described above) if they demonstrate exceptional activity in class and in OA.

Classroom presentation can give you up to 30 points.

30 points can be received for the results in the on-line game. This is made to keep the game interesting. It will be based on your scoreboard result after the end of quarter 7. At the same time note that we are learning so it's OK to make mistakes, that's why there are other ways to score class participation points if you feel you are underperforming in the game.

Finally, I can give a bonus of up to 5 points for any innovative activity which you use to improve your knowledge and performance in this class.

So in sum you can get around 100 points for class participation (30% of your grade).

During our meetings you explain your activities and I give you some feedback on how to improve and explain how many points you can get in the end. I will also ask you to submit peer assessment. It will be used to evaluate the class participation of your team members.

Below you will find my suggestions for peer ratings which should help you understand the type of contribution that will facilitate team work. When considering your daily contribution please think about these behaviours. When considering rating, take into account two aspects: the discipline and discipline related issues and the second is the team contribution. My suggestions for your teammates evaluation are here:

Excellent (corresponds to 5 points on midterm evaluation and 10 points on the final evaluation) – student never missed a team meeting. Always completed work according to time schedule established by the team. Has done a very significant amount of work for the team in terms of quantity and quality. Was actively contributing to team discussions.

Unsatisfactory (0 points) – Missed meetings on more than one occasion. Did not complete the work according to the schedule on more than one occasion. Was not contributing to team discussions.

Anything in between should get between 1 and 4 on the midterm submission and between 1 and 9 on final submission.

## **14. Topics**

Introduction

Start-up financing

Cash management and short-term financial planning

Entrepreneur's wealth management

Financial analysis: ratio analysis and break-even analysis

Bank financing

Obtaining venture financing or angel financing  
Financial growth  
Financial entrepreneurship: on-line trading  
Exit strategy and retirement strategy  
Capital structure management