

FIN 374S – *Fall 2009*
Entrepreneurial Finance
Course Syllabus

Classes -

03222 -	MW	12:30 am – 2:00 pm	UTC 1.132
03223 -	MW	2:00 pm – 3:30 pm	UTC 1.132
03224 -	MW	3:30 pm – 5:00 pm	UTC 1.132

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Course Background -

Entrepreneurial activity has been a potent source of innovation and job generation in the global economy. In the U.S., the majority of new jobs are generated by new entrepreneurial firms. The financial issues confronting entrepreneurial firms are drastically different from those that face established companies. The focus in this course will be on analyzing the unique financial issues which face entrepreneurial firms and to develop a set of skills that has wide applications for such situations.

Audience -

This course develops financial and managerial skills that are important for students who are interested in pursuing careers in an entrepreneurial setting. Moreover, this course should be of interest to anyone who wants to deepen their understanding in different valuation methods and want to understand how financial decisions are made under uncertainty.

Course Objectives -

The course will focus on the Venture Capital (VC) cycle and the financial issues which entrepreneurial firms face in general and specifically when dealing with VC firms.

In the process, the objectives are:

- 1) Learn about the venture capital cycle
- 2) Learn how to value firms using several different methods including how VC firms value entrepreneurial firms
- 3) Learn how to deal with a case study, how to analyze it, how to solve it, and how to present it
- 4) Learn how to work in teams and reach a consensus

Prerequisites -

- The course requires the concepts and skills developed in FIN357 - Business Finance. It is a pre-requisite!
- Because we will be linking financial concepts to other business concepts your broad business training will also come in handy
- This course also places a strong emphasis on presentation and discussion skills. It will be important for you to explain your positions or arguments to each other and to try to argue for the implementation of your recommendations

Course Material -

Required:

- Course packet available at the UT Copy center (GSB 3.136)

Optional:

- Andrew Metrick, "Venture capital and the Finance of Innovation", Wiley, 2006
ISBN: 0470074280

Method -

The predominant pedagogical approach will be case discussion. Cases will be supplemented with technical notes, and outside readings.

Grading, Exams, Cases, and Homework -

Grading will be based on:

- Class participation (10%)
- Class presentation (10%)
- Homework/Cases (10%)
- Midterm I (20%)
- Midterm II (20%)
- Final examination* (30%)

* The top 20% in the final exam for each class are **guaranteed** an **A!** (as long as you are a good "citizen", i.e. have done all your requirements and participated in class)

- Grade assignment:
 - The course letter grade will be calculated based on the formula described above.

- Midterms:
 - The midterm exams will be given at 7pm.
 - There will be no lecture on the exam day
 - Midterm I: Tuesday, September the 29th (SZB 104)
 - Midterm II: Monday, October the 26th (UTC 2.102A)
 - There will be no makeup for midterms. A student who justifiably cannot attend the midterm, and has cleared the issue *before* the midterm, will have his or her final exam's weight increased instead of the midterm.

- Final Exam:
 - The Final exam will be cumulative
 - It will be given on December 2nd at 7pm in GSB 2.124.

- Cases:
 - The cases are fundamental to the understanding of the material
 - Cases **have** to be worked in groups of **four** students
 - Groups are required to submit a **two-page memorandum** on the cases
 - The memoranda should be typed and double-spaced. They should be written as if you were presenting it to your business partners (be they your fellow entrepreneurs or investors). The two-page limit is for text only. You may attach as many numerical calculations as you wish.
 - Grading of the memoranda will be on the bases of check marks.
 - Memoranda will be handed in class, before the beginning of class. The memoranda will not be accepted after the class has met.
 - You have the option of not handing in two cases during the semester, **except** for the required cases: Wilson and Technical Data Corporation.

- Group Presentation:
 - **Each group** will present once in class during the cases Walnut A, or Metapath. For each case there will be 5 presentation slots offered (10 total slots). It is **your responsibility** to reserve one of these slots with the TA in order to fulfill your group presentation requirement. Slot availability is on a first come first served basis.
 - The presentation is to be 10 minutes and will compose of answering one of the questions of the case including some PowerPoint slides, and can done by one or more group members.

- Attendance and Participation:
 - Class attendance is critical to the learning process. Because this is such a new area of academic inquiry, there are no textbooks from which to distill all the critical information. The learning will come from struggling together to come to a better understanding of the key issues in the case.

- The participation grade will be based on how much one contributes to the discussions in class. Naturally, a student who does not attend class regularly should expect a very low participation grade.

Exams -

All exams are closed books and a formula sheet will be provided.

Re-grading Policy -

Re-grade requests for the midterm exams must be made in writing within one week after the graded exams are distributed back to students. Re-grade requests for the final exam must be made in writing within one week after the grades are posted. In making your requests, please keep in mind that the whole exam is subject to re-grading.

Preparing for Class -

The material for this course needs to be absorbed consistently. As the course progresses, students should work on the cases and homework problems. Failure to work on the cases will impact not only your homework/case grade but also your class participation, and the likelihood of success on the exams that will be very similar to the cases. Additionally, all these cases and problems are *essential* for a full understanding of the material covered over the course. This material will show up in the two midterms and the final exam.

Calculators and Computers -

- You will definitely need a calculator for the course (and the three exams). Any calculator that has an x^y button will do. Laptop computers will not be allowed for the exams.
- You **do not need** a financial calculator for this course.
- You will need a computer for solving the cases, but a computer will not be needed in class or in the exams.

Course WebPage -

The different course material will, in general, be distributed through the course web page on Blackboard.

Password-protected class sites will be available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters will be a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on FERPA related issues see <http://registrar.utexas.edu/students/records/ferpa/>

Students with Disabilities -

The University of Texas at Austin provides upon request academic accommodations for qualified students with disabilities. For more information, contact the Office of the Dean of Students at 471-6259, 471-4641 TTY.

McCombs Classroom Professionalism Policy -

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas BBA experience hinges on this.

Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects.

The Texas BBA classroom experience is enhanced when:

- **Students arrive on time.** On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.
- **Students display their name cards.** This permits fellow students and faculty to learn names, enhancing opportunities for community building and evaluation of in-class contributions.
- **Students minimize unscheduled personal breaks.** The learning environment improves when disruptions are limited.
- **Students are fully prepared for each class.** Much of the learning in the Texas BBA program takes place during classroom discussions. When students are not prepared they cannot contribute to the overall learning process. This affects not only the individual, but their peers who count on them, as well.
- **Students attend the class section to which they are registered.** Learning is enhanced when class sizes are optimized. Limits are set to ensure a quality experience. When section hopping takes place some classes become too large and it becomes difficult to contribute. When they are too small, the breadth of experience and opinion suffers.
- **Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- **Laptops are closed and put away.** When students are surfing the web, responding to e-mail, instant messaging each other, and otherwise not devoting their full attention to the topic at hand they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged. Faculty office hours are spent going over class material with students who chose not to pay attention, rather than truly adding value by helping students who want a better understanding of the material or want to explore the issues in more depth. Students with real needs may not be able to obtain adequate help if faculty time is spent repeating what was said in class. There are often cases where learning is enhanced by the use of laptops in class. Faculty will let you know when it is appropriate to use them. In such cases, professional behavior is exhibited when misuse does not take place.
- **Phones and wireless devices are turned off.** We've all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion when the search for the offender begins. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform the professor prior to class.

Tentative Class Schedule

Date			Topic	HW Due
Aug	W	26	<i>First day of Class</i> - Introduction	
			Module1 - Valuation	
	M	31	Introduction to valuation	Unid. Ind.
Sep	W	2	Wilson Lumber case	Wilson*
	M	7	<i>Labor Day Holiday</i>	
	W	9	Free Cash Flow - Part I	
	M	14	Dixon case	Dixon
	W	16	Free Cash Flow - APV	
	M	21	Nelson Paper case	Nelson
	W	23	Midterm Review	
	M	28	<i>No class</i>	
	T	29	<i>Mid Term I (7pm SZB 104)</i>	
			Module 2 - Valuation of New Ventures	
	W	30	APV Review and Fundamentals of VC	
Oct	M	5	Technical Data Corporation case	TDC*
	W	7	New Venture Valuation	
	M	12	Horizon Case	Horizon
	W	14	Private Equity, Hedge Funds and VC	
	M	19	Walnut Venture (A) case	Walnut A [§]
	W	21	Midterm Review	
	M	26	<i>Mid Term II (7pm UTC 2.102A)</i>	
			Module 3 - Venture Capital Contracts	
	W	28	Venture Capital Contracts - Part I	
Nov	M	2	Walnut Venture (D)	Walnut D (1)
	W	4	Share Allocation	
	M	9	Genset Case	Genset
	W	11	Real Options Valuation	
	M	16	Walnut Ventures (D) case - Options	Walnut D (2)
	W	18	Venture Capital Contracts - Part II	
	M	23	Metapath Software case	Metapath [§]
	W	25	IPOs	
	M	30	Review	
Dec	W	2	<i>Last Class Day – Final Exam (GSB 2.124)</i>	

* - Required

§ - Presentation (each group needs to present once during the semester)