COURSE SYLLABUS

Course Details			
Course	Finance 374S – Entrepreneurial Finance		
Semester	Spring 2012		
Instructor	William T. Charlton, Jr., Ph.D., CFA		
Office	CBA 6.304D		
Phone	(512) 232-6834		
Email	wcharlton@mail.utexas.edu (***The best way to reach me***)		
Office Hours	T,Th 5-6pm. Others by appointment		
Classroom	T,Th 2:00-3:30pm, UTC 4.124, 03170 T,Th 3:30-5:00pm, UTC 4.124, 03175		
Teaching Assistant	TBA		

COURSE OBJECTIVES

In this course we will study the financing of small and medium sized businesses from the perspective of both the entrepreneur and investors. Students will learn how the financing decisions of small and medium sized private companies differ from those of public firms. They will also see how the use of real options and milestones relate to the strategy and the value on an opportunity. We will begin by building financial forecasts that will allow for the estimation of the firm's cash flow needs. Following that, we will look at the valuation of small firms and medium sized businesses from both the entrepreneur and investors' perspectives. With that background we will then examine ways to structure agreements to properly align the incentives between the entrepreneur and investors. Finally we will discuss realization of returns through various liquidation events and the sources of financing for small companies including angels and the various types of private equity.

Course Materials		
Required	Entrepreneurial Finance, 2011, Janet Smith, Richard Smith, & Richard Bliss,	

Materials	Stanford University Press, ISBN: 978-0-8047-7091-0.		
	iClicker		
	The <i>Wall Street Journal</i> should be read on a daily basis. To subscribe: http://subscribe.wsj.com/semester		
Perquisites	Finance 374S is a Restricted Course for students who are currently enrolled in a major program in the College of Business Administration. Note that several prerequisites apply for this course and are published in the Course Schedule. Prior completion of Finance 357 or Finance 357 H (with a grade of at least a C).		

Course Policies			
Students With Disabilities	Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) is housed in the Office of the Dean of Students, located on the fourth floor of the Student Services Building. Information on how to register, downloadable forms, including guidelines for documentation, accommodation request letters, and releases of information are available online. Please do not hesitate to contact SSD at (512) 471-6259 or via e-mail if you have any questions. Please review the SSD Policies and Procedures document posted on BlackBoard.		
Religious Holidays	UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.		
BlackBoard	Students should check Blackboard regularly. I will post announcements, assignments, any changes to the course schedule, as well as other useful information on that site.		
Participation	Participation is one of the best ways for a student to insure that they understand the material. I intend to create an environment that encourages open discussion and allows you to feel comfortable in asking any question. An unasked question, particularly about a basic point, may impede the student's learning.		
Feedback	I am open to and encourage students to offer suggestions on how to improve the course both for the existing semester and future ones. My goal is to optimize my approach to helping students understand the important topics that we will be covering this semester. Any suggestions for improvements will be much appreciated.		

Honor Code

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty for the McCombs School of Business:

By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course an/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at http://deanofstudents.utexas.edu/sjs/ or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

You are expected to abide by the University Honor Code at all times. All violations will be handled according to University procedures and referred to proper authorities. I will pursue any violations to the fullest extent of the code. If you are ever in doubt about a particular issue, please ask!

The course is intentionally structured to give students multiple opportunities to achieve an appropriate grade. No single test will determine a student's grade (see discussion of the optional final below). It is my hope that this structure will minimize the incentives to violate the Honor Code.

Calculators

A financial calculator is recommended for this course. Students are responsible for selecting and learning the operation of their calculators. Students are expected to be proficient with Time Value of Money calculations. I will post a review of TVM problems based on the TI BA 11 plus calculator on the course website. Calculators will be cleared prior to taking the exams and cannot be shared.

Note: You may NOT use a calculator application on a phone on the exams.

Laptops/ Devices

The use of laptops and other electronic devices including cell phones is prohibited during class lectures and exams. This is to minimize the distraction for all participants in the classroom.

McCombs Classroom Professionalism Policy

The highest professional standards are expected of all members of the McCombs community. The

McCombs Classroom Professionalism Policy

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 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.		

	EVALUATION			
Weighting	Exam I Exam II Exam III Assignments 50 pt Attendance 30 pt Team 20 pt Total (see below) Your grade for the course will depend on assignments, attendance/quizzes, your tea opportunity for extra work. Pass/fail students	s. s. 100 pts. 400 pts. your performance on the exams, the am grade, and the final; there is no		
Scale	passing grade to receive a passing grade for the course.			
Text Problems				
Exams	All exams will be held during regularly scheduled class times. The date of each exam is specified in the Tentative Course outline. Unless you have prior approval, you are required to take the exam with the section that you are registered for. Exams will be closed book, however a formula sheet will be provided for the exams. A sample formula sheet will be issued early in the semester so that students can familiarize themselves with it. The format of the exams will include multiple choice, problems, and short-answer. Students with questions about the exam can address them during office hours.			
Make-ups	No make-up exams will be given. Students unable to take the exam at the scheduled time, for any reason, may use the final to replace the exam that they missed.			
Final	The final is optional and will be comprehently substitute for the lowest score on one consubstitute for an unexcused absence. If y	of the semester exams, but may not		

EVALUATION

your lowest exam, the final will not be used to calculate your grade. Thus, the final can only help your course grade. At the end of the semester, I will ask you to inform me as to whether you wish to take the final or not.

I have structured the optional final for several reasons. First, to give students an opportunity to replace an exam score they think is not representative of their knowledge. Second, to provide a mechanism for students to replace an exam missed due to an excused absence. Finally, I believe this structure rewards students that have preformed well on the semester exams by allowing them to opt out of the final if they like their grade.

Per University policy, a make-up for the final will only be given if appropriate documentation (doctor's note, letter from the dean) is produced. Without documentation, a student's grade will calculated from their performance on the semester exams including a grade of 0 for any missed exams.

Note: I caution you not to take the semester exams lightly. While the final provides the opportunity to replace an exam grade we are covering a great deal of material during the semester and the final is comprehensive.

Assignments

There will be weekly assignments that will be turned in via Blackboard. The assignments will be due each Wednesday by 10pm. At least one assignment grade will be dropped in the computation of this component. The first assignment will be due on Wednesday 1/25. Assignments will be graded on a 10 point scale. Students are responsible for uploading a readable PDF format file by the due date. Late submissions will be accepted until midnight of the due date. The maximum score for late submissions will be 8 points and not be accepted after the assignment is discussed in class.

Attendance

Attendance/polls will be taken via i>clicker at least twice each class period beginning on Thursday, 1/26. Students can earn up to 2 points for each class. Students not in class when the attendance/polls are administered will not receive credit for that iteration. The equivalent of at least two attendance/quiz class days will be dropped in the computation of this component.

Note: attendance at both of the team presentation days in the last week of the course is **MANDATORY** and absences at either of those classes will not be used in the dropped computation.

Team Grade

The team grade will be computed in two parts. First, I will assign a grade to the team as a whole that represents my assessment of the team's overall performance across the semester with a maximum of 15 points. Second, team members will anonymously give other team members a grade from 1-5. The sum of the team grade and the average of each individual's team member scores will be the student's grade for this component.

TENTATIVE COURSE OUTLINE				
Date	Торіс	Chapter	Assignment	
	Introduction			
1/17 1/19	Course Introduction, Overview Investments Bootcamp	-		
	Financial Forecasting			
1/24	Introduction & New Venture Financing – Types of entrepreneurship, stages of new venture development, business plans, sources of financing, information issues, term sheets	1 2	Assignment 1	
1/26	Methods of Financial Forecasting: Revenue – Forecasting for established companies, forecasting for new companies, fundamental analysis, incorporating uncertainty	6		
1/31 2/2	Methods of Financial Forecasting: Integrated – Cash conversion cycle, working capital, developing assumptions, financial modeling for start-ups, incorporating uncertainty	7	Assignment 2	
2/7 2/9	Assessing Financial Needs – Sustainable growth, cash flow breakeven, planning for rapid growth, scenario analysis, staged investing	8	Assignment 3	
	Valuation & Strategy			
2/14 2/16	*** EXAM I (TUE) *** Foundations of New Venture Valuation – Myths, discounted cash flow, RADR, CEQ, relative value, venture capital method, rates of return	9	No Assignment	
2/21 2/23	Valuation in Practice – Continuing value, multiples, estimating risk free, market risk premium & beta, applying RADR & CEQ, advantages & disadvantages or RADR & CEQ	10	Assignment 4	

	TENTATIVE COURSE OUTLINE		
Date	Торіс	Chapter	Assignment
2/28 3/1	The Entrepreneur's Perspective on Value – Undiversified investors, partial-commitments, valuing partial commitment with RADR & CEQ,	11	Assignment 5
3/6 3/8	Deal Structure – Outside investors, contracts, proportional risk sharing, asymmetric risk & return, subsidized investors, active investors, implementation & negotiation, informational issues	12	Assignment 6
	Spring Break		
	Deal Structuring & Financial Contracting	ıg	
3/20 3/22	Value Creation & Contract Design - Staged investing, signaling beliefs, alignment of interests, valuation-based contracting	13	Assignment 7
3/27	Choice of Financing - Financing alternatives, considerations, financial decision process, cumulative financing needs, organizational structure, reputation & relationships, financial distress	14	No Assignment
3/29	*** EXAM II (THUR) ***		
4/3 4/5	Harvesting - Liquidation events, IPO's, underwriting, trade sales, valuing private transactions, management buyouts, employee stock ownership plans, the harvesting decision	15	Assignment 8
	Harvesting & Private Equity Markets		
4/10 4/12	New Venture Strategy - Strategic planning, financial strategy, real vs. financial options, expansion & abandonment options, decision trees, game trees, game theory	4	Assignment 9
4/17 4/19	Venture Capital - Types of private equity funds, how funds are structured, raising private equity funds, how funds work, calculating carry, private equity returns, fund of funds	3	Assignment 10

TENTATIVE COURSE OUTLINE				
Date	Торіс	Chapter	Assignment	
4/24	The Future of Entrepreneurship – Completing the circle, breaking new ground, public policy, institutional structure, changes in private markets	16	No Assignment	
4/26	*** EXAM III (THUR) ***			
5/1 5/3	Team Presentations	-	No Assignment	
Final	03170 (2:00-3:30): Saturday May 12 2:00-5:00pm 03175 (3:30-5:00): Wednesday May 9 9:00-12:00noon			

Note: This is a tentative course outline. Topics may be re-sequenced, dropped or added depending on our progress throughout the semester. I will inform you of any changes as they are made and post any changes on BlackBoard.