

## COURSE SYLLABUS

<b>Course</b>	Finance 374S – Entrepreneurial Finance
<b>Semester</b>	Spring 2011
<b>Instructor</b>	William T. Charlton, Jr., Ph.D., CFA
<b>Office</b>	CBA 6.304D
<b>Phone</b>	232-6834
<b>e-mail</b>	wcharlton@mail.utexas.edu (**Best way to reach me**)
<b>Office Hours</b>	Tue., Thur.: 3:30-4:30 (I will be adding additional hours). Others by appointment

### COURSE DETAILS

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<b>Class Meetings</b>	Tue., Thur. 11:00-12:30, UTC 4.132, 03075 Tue., Thur. 12:30-2:00, UTC 4.132, 03080
<b>Course Material</b>	<i>Entrepreneurial Finance</i> , 2 <sup>nd</sup> ed., Janet Smith & Richard Smith, Wiley, ISBN: 978-0-471-23072-4. <i>Wall Street Journal</i> (Should be read on a daily basis)
<b>Course Objective and Purpose</b>	Development, implementation, and control of financial plans, strategies, and policies by owner-managers of small and medium-sized firms; analysis of alternatives and decision-making.  In this course we will examine the financing of small business from both the entrepreneur's and investors' perspectives. As part of this, we will build 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 from both perspectives. We will also examine ways to structure agreements to properly align the incentives between the entrepreneur and investors. We will also discuss financing for small companies including angels and the various types of private equity. Finally, we will look at the realization of returns through different liquidation events.
<b>Prerequisites</b>	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

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**Students With Disabilities** The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, please contact the Office of the Dean of Students at 471-6259, 471-4641 TTY. Please let me know if you require any special accommodations for the exams as soon as possible so that the appropriate arrangements can be made.

**Attendance** Roll will not be taken on a regular basis. However, this course covers a great deal of material over a short period of time and missing class may put the student at a significant disadvantage. Lectures will contain information that is not in the textbook including discussions of current events and additional subject material. Students are responsible for all material covered in class, no matter the source.

**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 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.

**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.

#### EVALUATION

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<b>Point Distribution</b>	Exam I	100 pts.
	Exam II	100 pts.
	Exam III	100 pts.
	Assignments	<u>50 pts.</u>
	<b>Total (see below)</b>	<b>350 pts.</b>

Your grade for the course will depend solely on your performance on the exams, the assignments, and the final; there is no opportunity for extra work. Pass/fail students must take all exams to receive a pass.

**Scale** The standard 90%, 80%, etc. scoring system is used with +/-'s assigned for grades within 2 points of the respective grade break points. Due to the optional final structure (discussed below) individual exams will not be curved. If necessary, the final grades (including the scores on the final exams) may be curved at my discretion. For borderline cases, class attendance and participation as well as improvement throughout the semester will be considered.

**Text Problems** Students are expected to work the specified problems in the textbook. Although the problems will not be collected, students may be called on in class to explain their answers. Solutions can be found in the optional solutions manual. Note that the solutions manual has several mistakes.

**Exams** All exams will be held during regularly scheduled class times. The week of each exam is specified in the Tentative Course outline. The exact date of the exam will be determined as we progress through the semester. 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.

Once the exams are graded they will be passed out and reviewed in class after which they will be recollected. Students with questions about the exam can address them either during the review or office hours.

**Final** The final is optional and will be comprehensive. Your score on the final may substitute for the lowest score on one of the semester exams, but may not substitute for an unexcused absence. If your score on the final is lower than 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.

**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.

**Make-ups** No make-up exams will be given. For an anticipated (and excused) absence from a test, you may arrange with me to take the exam early. It is your responsibility to contact me at least one week prior to the exam to arrange a mutually convenient testing time. Unless you have received prior approval, you will be considered unexcused if you do not take an exam with your assigned section.

<b>TENTATIVE COURSE OUTLINE</b>			
<b>Week</b>	<b>Week Beginning</b>	<b>Topic</b>	<b>Chapter</b>
<b>1</b>	1/17	Introduction Overview of New Venture Financing	1 2
<b>2</b>	1/24	The Business Plan New Venture Strategy	3 4
<b>3</b>	1/31	Methods of Financial Forecasting	6
<b>4</b>	2/7	Assessing Financial Needs	7
<b>5</b>	2/14	<b>Exam I</b> The Framework of New Venture Valuation	8
<b>6</b>	2/21	Valuation: The Investor's Perspective	9
<b>7</b>	2/28	Valuation: The Entrepreneur's Perspective	10
<b>8</b>	3/7	Financial Contracting	11
	3/14	<b><i>Spring Break</i></b>	
<b>9</b>	3/21	Information & Incentive Problems	12
<b>10</b>	3/28	<b>Exam II</b> Financial Contracting	13
<b>11</b>	4/4	Venture Capital	14
<b>12</b>	4/11	Choice of Financing	15
<b>13</b>	4/18	Harvesting	16
<b>14</b>	4/25	The Future of Entrepreneurial Finance	17
<b>15</b>	5/2	<b>Exam III (Tue)</b>	
<b>Final</b>		<b>11:00am section</b>	<b>5/12 (Thu.) 2-5pm</b>
		<b>12:30pm section</b>	<b>5/14 (Sat.) 2-5pm</b>

*Note:* This is a tentative course outline. Chapters 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.

## 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 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.