

University of California, Davis
MGT160: Financing New Business Ventures
Summer Session I, 2016

Instructor:	Gregory Perelman	Contact e-mail:	gp36@yahoo.com
Teaching assistant:	Javier Parada	Contact e-mail:	parada@ucdavis.edu
Class Meetings:	Mon/Wed, 6:10 pm	Review sessions:	Thursdays, 12:10-3:50
Office:	TBD	Class Web site:	www.gperelman.com
Office hours:	5:10 pm before class on Mon/Wed and by appointment (Room 2215 in Gallagher Hall)		

Course Description:

This course will analyze the concepts and methods of financing new business ventures. Financial tools (NPV, IRR, discount rates, cash flows, etc.) will be reviewed and applied to structuring funding appropriate for newly formed businesses. Sources of equity and debt capital will be evaluated. The course will also address the demographics of U.S. businesses, their industrial composition and the rate of formation. It is assumed that students have good working knowledge of the basic accounting, statistics and math.

Prerequisites: 11A (Accounting), Mathematics 16B, 17B or 32B, Statistics 13 or higher

Required textbook:

Essentials of Corporate Finance, Ross, Westerfield, and Jordan, 8th edition, 2014
ISBN: 1259659216/9781259659218

Any previous editions are acceptable.

Cases:

1. HBS #5-812-141: PunchTab, Inc.
2. Santa Fe Trading Company (link provided on class website)

Notes:

1. HBS #8072: Financing Entrepreneurial Ventures, September 1, 2014
2. HBS #9-209-107: An Introduction to consumer credit.
3. HBS #9-291-026 Note on Bank Loans, Rev. October 29, 1993

Other reading materials will be distributed in class or over the class web page.

Course Format

Lectures, class discussions, problem solving and case studies.

Grading Policies:

Attendance/participation	10%
Quizzes:	30%
Group cases:	20%
Final exam:	<u>40%</u>
	100%

Class attendance and participation

To succeed in the course, you are expected to attend all classes and discussion sessions. If you expect to miss a class for any reason, send me an e-mail beforehand. Missing more than one class meeting will negatively impact your grade. Questions and discussions are encouraged throughout the course.

Homework and Quizzes

Homework will be assigned to practice course material; however, it will not be collected. Solutions will be provided on the class website and reviewed in discussion sessions. To test your progress in the course, we will have several quizzes during the term (open book/notes). No makeup quizzes will be given. The lowest score on the quizzes will be dropped in calculating your course grade.

Case Analysis (Groups)

In this class you will work with a team of 4-5 students on two case studies. For each case, every team must submit the following:

- a) 3-5 pages write up (excluding exhibits) where you address the questions posted in the course schedule section below. If you include exhibits, please refer to them in the text and make clear why they are included
- b) Excel spreadsheet with your calculations, financial statements, data collected for your analysis, etc.

A few more comments on the write ups: no detailed background of the case is needed – a few lines will be sufficient. At the same time, do not assume that the reader knows every number in the case. The write up is a stand-alone document and should state major problems or opportunities facing the decision-maker, list alternative courses of actions and come up with specific recommendations. It is important to make your decisions given the available information provided within the cases. You are welcome to use outside sources, but, as in real life, you will never have complete information and unlimited time to make your decisions. If you make any assumptions, clearly state them. The write-up should be professional and addressed to the CEO/CFO as an internal or consulting report. Write in complete and grammatically correct sentences. Avoid bulleted presentations in the write ups.

All submitted files must follow naming conventions and include your name for individual work and team/case numbers for group submissions – more details are provided on the class website.

Final Exam

Final exam is cumulative and encompass all of the material covered in the course.

Course Standards

Students are expected to fulfill their responsibilities under the University Of California Standards Of Conduct for Students. You can find the full text here: <http://sja.ucdavis.edu/scs.html>

TENTATIVE COURSE SCHEDULE

Meetings	Topics, readings, and assignments
1 Mon June 20	<p>Introduction</p> <ul style="list-style-type: none"> • Businesses in the U.S. • Forms of business organization • Financial statements – overview <ul style="list-style-type: none"> ○ Balance sheet ○ Income statement ○ Statement of cash flows <p>Required readings: Chapter 1: Introduction to Financial Management Chapter 2: Financial Statements, Taxes, and Cash Flow Chapter 3: Working with Financial Statements Readings are given for the 8th edition of the textbook – if you are using one of the previous editions, find similar chapters</p>
2 Wed June 22	<p>Time value of money Discounted cash flows</p> <p>Required readings: Chapter 4: Introduction to Valuation: The Time Value of Money Chapter 5: Discounted Cash Flow Valuation</p>
3 Mon June 27	<p>Investment criteria (NPV, IRR, etc.)</p> <p>Required reading: Chapter 6: Interest Rates and Bond Valuation (read only) Chapter 7: Equity Markets and Stock Valuation (read only) Chapter 8: Net Present Value and Other Investment Criteria Chapter 9: Making Capital Investment Decisions</p>
4 Wed June 29	<p>Risk and cost of capital Valuation process</p> <ul style="list-style-type: none"> • DCF • Relative <p>Required reading: Chapter 10: Some Lessons from Capital Market History (read only) Chapter 15: Raising capital (read only)</p>
5 Wed July 6	<p>Venture capital industry - introduction</p> <p>Required reading: HBS #8072: Financing Entrepreneurial Ventures</p>
6 Mon July 11	<p>VC funding – discussion</p> <p>Case 1: HBS #5-812-141: PunchTab, Inc. Assignment: submit a write up where you address questions posted on the class website;</p>
7 Wed July 13	<p>Debt funding – introduction</p> <p>Required reading:</p> <ul style="list-style-type: none"> • HBS #9-209-107: An Introduction to consumer credit. • HBS #9-291-026 Note on Bank Loans, Rev. October 29, 1993

<p>8 Mon July 18</p>	<p>Raising debt - discussion</p> <ul style="list-style-type: none"> • Bank loans • Crowdsourcing • Credit scoring <p>Case 2: <i>Santa Fe Trading Company</i> Assignment: submit group case write up where you address all questions listed at the end of the case;</p>
<p>9 Wed July 20</p>	<p>Alternative sources of funding for new ventures</p> <ul style="list-style-type: none"> • Crowdsourcing • P2P or market place lending • 2012 JOBS Act
<p>10 Mon July 25</p>	<p>Course review Q&A session</p>
<p>Wed July 27</p>	<p>Final exam</p>