

**NANYANG TECHNOLOGICAL UNIVERSITY
NANYANG BUSINESS SCHOOL
ET5214
FINANCING ENTREPRENEURIAL VENTURES**

Academic Year	: 2023-2024	Semester	: 2
Course Coordinator	: Daniel Ong		
Pre-requisites	: ET5214/ET9213		
No. of AUs	: 3		
Contact Hours	: 39 hours		

A) Course Aims

This course focuses on the special and unique considerations when raising funds for new and young ventures. Many traditional means of securing funds by established or public-listed companies (such as bank borrowings, issuance of tradable bonds or publicly-listed shares) are usually not available to new and young ventures due to the latter's lack of business track records. Consequently, alternative fund raising avenues for new and young ventures need to be addressed. The analyses and requirements of professional investors of new and young ventures, in particular the venture capital funds, are very different from that of the public-equity investors or typical fund managers. This course will enable you to learn the approach to raising funds from the professional investors, and to understand the unique requirements of the venture capital funds, so as to enhance the probability of securing funding for your venture. This course is not only relevant for would-be entrepreneurs, but will also benefit students who intend to pursue a career in the venture capital industry or in corporate venture investments.

B) Intended Learning Outcomes (ILO)/Objectives

By the end of this course, you should be able to:

1. Describe the typical life cycle that a successful venture goes through.
2. Identify the various avenues of fund raising for a new, young, or private venture.
3. Formulate or evaluate a business plan as an entrepreneur or an investor.
4. Explain the requirements, investment terms and conditions of a typical professional venture capital fund.
5. Apply the concept of Time Value of Money to estimate the value of a company's shares.
6. Illustrate how private ventures may be valued by the professional venture capital funds.
7. Calculate the shareholding of various shareholders after different rounds of funding received by a venture.
8. Employ different risk-mitigating investment terms to formulate an *Investment Terms Sheet* for the purpose of discussion and negotiation (between the entrepreneur and the professional venture capital fund).
9. Negotiate the investment terms with the entrepreneur or with the professional venture capital fund.
10. Demonstrate the importance of group work as co-founders of a young venture, and as members of the investment team in a professional venture capital firm.

C) Course Content

Introduction To Finance For Entrepreneurs
Developing The Business Idea
Organizing And Financing A New Venture

Preparing And Using Financial Statements
 Managing Cash Flow
 Projecting Financial Statements
 Basic Principles of Time Value of Money & Valuation
 Valuing Early-Stage Venture
 Venture Capital Valuation Methods
 Professional Venture Capital
 Other Financing Alternatives
 Security Structures And Determining Enterprise Values
 Harvesting The Business Venture Investment

D) Assessment (includes both continuous and summative assessment)

Component	ILO Tested	NBS Learning Goal	Weightage	Group/ Individual	Assessment Rubrics
1. Project Events 1 & 2	ILO3 ILO10	Teamwork and Interpersonal Skills Oral Communication	5%	Group	Peer Evaluation (Rubric 1) Project Events 1 & 2 (Rubric 2)
2. Project Events 3 & 4	ILO3 ILO4 ILO6 ILO7 ILO8 ILO10	Teamwork and Interpersonal Skills Oral Communication	20%	Group	Peer Evaluation (Rubric 1) Project Events 3 & 4 (Rubric 3)
3. Project Event 5A/5B/5C	ILO4 ILO6 ILO7 ILO8 ILO9 ILO10	Negotiation Teamwork and Interpersonal Skills Oral Communication	20% (Individual) 5% (Group)	Individual & Group	Peer Evaluation (Rubric 1) Project Events 5A/5B/5C (Rubric 4)
4. Final Examination	ILO1 ILO2 ILO4 ILO6 ILO7	Acquisition of knowledge	50%	Individual	N.A.
Total			100%		

Notes:

- As all the Project Events are interlinked, attendance by ALL students is required for ALL Project Events (regardless of whether you or your group is presenting in the Project Event). Absence for any Project Event can adversely affect your overall project marks.**
- For group presentations in Project Events 1, 2, 3 & 4, the assessments will be based on the group, although NOT all group members need to deliver the presentation. However, all group members are required to participate actively in answering post-presentation queries.**
- For group negotiation sessions in Project Event 5A/5B/5C, **the assessment will be partly based on the group and substantially based on the individuals**, so individual participation during the negotiation sessions is important.
- At the end of the Project, **it will be compulsory for all students to participate in a peer appraisal** (in accordance with assessment Rubric 1). **A student with poor peer appraisal scores will have commensurate**

adverse adjustment made to his project overall scores.**E) Formative feedback**

You will receive feedback and comments from me on your presentation after each of the Project Events 1, 2, 3 and 4. During the negotiation session in Project Event 5A/5B/5C, for learning purposes, the instructor will interject when appropriate to comment on the specific points being discussed or negotiated.

F) Learning and Teaching approach

In the first half of the semester, the course will be delivered through weekly seminars. In the second half of the semester, the classroom sessions will comprise mainly presentations and negotiation sessions by students under the different Project Events which are essential parts of the Project for this module. The Project will allow students to appreciate the typical process of a young venture raising funds from a venture capital fund. It will also allow students to understand the evaluation, justification, and investment approval process of a venture capital fund. The negotiating sessions of the Project will provide students with first-hand experience on how to negotiate the investment terms and conditions in the perspective of the entrepreneur as well as the perspective of the venture investor.

Approach	How does this approach support you in achieving the learning outcomes?
Seminars	The seminar sessions will have opportunities for students to raise conceptual and practical questions, and also share ideas and experiences with the class. The in-class sessions will therefore also involve your participation and allow the desired learning outcomes to be achieved.
Project	Some learning outcomes for this course are skills which are practical in nature and they cannot be achieved solely from seminar delivery by the instructor. The achievement of such learning outcomes requires first-hand experience, and the Project will provide such an opportunity. The various Project Events will simulate real-life scenarios in the perspectives of the entrepreneur as well as the venture investor, hence allowing you to practise and acquire first-hand experience in business pitching, investment appraisal, as well as negotiation, which are essential learning outcomes in this course.

G) Reading and References

Entrepreneurial Finance 7th Edition (Asian Edition)

J. Chris Leach & Ronald W. Melicher

Cengage Learning

ISBN: 978-981-49-8622-9

Additional readings for eLearning Week will be made available on NTULearn.

H) Course Policies and Student Responsibilities

(1) General

You are expected to be punctual for all lesson-delivery seminar sessions as well as all Project Events.

(2) Absenteeism For Project Events

You are required to be present for all Project Events, whether or not you or your group is presenting. Failing to attend any Project Event can adversely affect your overall project score.

If you are unable to commit time to attend the ALL the scheduled Project Events, or have potential activities (for official or non-official reasons) that may clash with the Project Events schedule, please do not sign up for this course, as it can adversely affect your grade in this course.

I) Academic Integrity

Good academic work depends on honesty and ethical behaviour. The quality of your work as a student relies on adhering to the principles of academic integrity and to the NTU Honour Code, a set of values shared by the whole university community. Truth, Trust and Justice are at the core of NTU's shared values.

As a student, it is important that you recognize your responsibilities in understanding and applying the principles of academic integrity in all the work you do at NTU. Not knowing what is involved in maintaining academic integrity does not excuse academic dishonesty. You need to actively equip yourself with strategies to avoid all forms of academic dishonesty, including plagiarism, academic fraud, collusion and cheating. If you are uncertain of the definitions of any of these terms, you should go to the [academic integrity website](#) for more information. Consult your instructor(s) if you need any clarification about the requirements of academic integrity in the course.

J) Course Instructors

Instructor	Office Location	Email	Consultation Hours
Daniel Ong	Academic Building South (ABS) – Nanyang Business School (NBS)	dspong@ntu.edu.sg	(Seminar days)

K) Planned Weekly Schedule

Week (Date)	Topic	ILO	Readings/Activities
1 (17Jan24)	Seminar 1 Introduction To Finance For Entrepreneurs Developing The Business Idea	ILO1, ILO2	Ch 1 Ch 2
2 (24Jan24)	Seminar 2 Organizing And Financing A New Venture Evaluating Operating And Financial Performance	ILO1, ILO2, ILO3	Ch 3 Ch 5
3 (31Jan24)	Seminar 3 Managing Cash Flow Projecting Financial Statements Project Event 1[#]	ILO2, ILO3, ILO10	Ch 6 Ch 9
4 (7Feb24)	Seminar 4 Basic Principles of Time Value Of Money & Valuation Project Event 2[#]	ILO5, ILO10	Online Videos*
5 (14Feb24)	eLearning Week (Critique on Online Articles & Discussion Forum)**		
6 (21Feb24)	Seminar 5 Valuing Early-Stage Ventures Venture Capital Valuation Methods	ILO4, ILO6, ILO7	Ch 10 Ch 11

	- <i>Adjusting for Multiple Rounds of Funding</i> - <i>Shareholding Dilution</i> - <i>Target Return for Venture Capital Funds</i>		
7 (28Feb24)	Seminar 6 Professional Venture Capital (VC) - <i>VC Investing Cycle</i> - <i>VC Screening Criteria</i> - <i>Value-Add by VC</i> - <i>VC Investment Terms & Conditions</i> - <i>VC Investment Term Sheet</i> - <i>Negotiating the Investment Terms and Conditions</i>	ILO4, ILO7, ILO8, ILO9	Ch 12
<i>RECESS WEEK</i>			
8 (13Mar24)	Seminar 7 Other Financing Alternatives Security Structures And Determining Enterprise Values Harvesting The Business Venture Investment	ILO2, ILO4, ILO7	Ch 13 Ch 14 Ch 15
9 20Mar24)	Project Event 3[#]	ILO3, ILO10	
10 (27Mar24)	Project Event 4[#]	ILO4, ILO5, ILO7, ILO8, ILO10	
11 (3Apr24)	Project Event 5A[#]	ILO4, ILO5, ILO7, ILO8, ILO9, ILO10	
12 (13Apr24) Saturday Make-up[^]	Project Event 5B[#]	ILO4, ILO5, ILO7, ILO8, ILO9, ILO10	
13 (17Apr24)	Project Event 5C[#]	ILO4, ILO5, ILO7, ILO8, ILO9, ILO10	
<i>FINAL EXAMINATION</i>			

[^] Due to Hari Raya Puasa on 10 April 2024, a public holiday, the make-up session will be held on the Saturday morning of the same week, i.e. on 13 April 2024. As the session involves an important Project Event, absence by students will severely affect their project scores. Please note that there may be many make-up sessions for other affected courses on the same Saturday, and students should check for potential clashes before signing up this course.

***Youtube videos**

Time Value of Money Explained: <https://www.youtube.com/watch?v=gkp-7yhfreq>

NPV and IRR Explained: <https://www.youtube.com/watch?v=Fw5-wccViOM>

****eLearning Week**

Web links to selected online article(s) will be posted on NTULearn. A discussion forum will be open for students to exchange and share views related to the article(s). **Each student is also required to submit a type-written critique on the posted article(s) by 19Apr24.**

#Project Events

Students in the class will be organized into even number of groups. Half of the groups will be assigned as **Entrepreneur Groups (EGs)**, and the other half of the groups will be assigned as **Investor Groups (IGs)**. The EGs will act as entrepreneurs and the IGs will act as professional venture capital firms. Each EG and IG will be paired up with the aim of achieving a funding agreement for a proposed business venture.

(a) **Project Event 1**

The purpose is to explore a business idea that is suitable (with my guidance) for learning in this project. The adopted business idea will be the basis for all subsequent Project Events.

Each EG shall make a 10-minute **INFORMAL** presentation on its proposed business idea. This is NOT a business pitch, but sharing of a preliminary business idea with the class. The class may give valuable feedback or comments, if any. Only informal verbal presentation is required (no presentation slides is necessary).

Only one or two members of the group need to present.

(At the end of this session, each IG will be assigned to and matched with an EG for subsequent Project Events.)

The EGs will be assessed as a group on:

- *Ability to articulate and describe the intended business idea clearly.*
- *Ability to address questions from the audience readily and confidently.*

(b) **Project Event 2**

The purpose is to refine, modify, or expand on the business ideas proposed by the EGs so that they are suitable (with my guidance) for learning in this project.

Each IG shall make a 10-minute **INFORMAL** presentation on its preliminary assessment and recommended changes (if any) on its assigned EG's proposed business idea. This is NOT an investment pitch, but sharing of how the proposed business idea may be improved. Only informal verbal presentation is required (no presentation slides is necessary).

Only one or two members of the group need to present.

(Subsequent to this session, each EG shall finalize its business idea and business model, in consultation with its assigned IG. Once the business idea and business model are finalized, they will be adopted for subsequent Project Events. Each EG will then prepare the details of the proposed business venture, and formulate a full presentation of its Business Plan, **WITHOUT THE INVOLVEMENT OF THE IG**).

The IGs will be assessed as a group on:

- *Ability to provide preliminary assessment and suggest improvements on the intended business idea.*
- *Ability to address questions from the audience readily and confidently.*

(c) **Project Event 3**

The purpose is to pitch the business plan so as to obtain funding from the IG.

Each EG shall make a 45-minute presentation on its **Business Plan** (presentation slides are to be uploaded after the presentation). The audience/class will act as potential investors during Q&A session.

Although all members of the EGs are expected to contribute diligently in preparing the presentation materials, not all members of the group need to do the presentation.

(Based on the EG's Business Plan, the assigned IG shall subsequently conduct investment due diligence, perform independent investment analysis on the proposed business venture, and formulate a full presentation of its Investment Proposal).

The EGs will be assessed as a group on:

- *Clarity of slides and ability to communicate and convince the audience on the proposed business venture within the allocated time*
- *Enthusiasm and confidence during presentation*
- *Ability to address questions from the audience readily, confidently, and convincingly*

(d) **Project Event 4**

The purpose is to pitch a proposal so as to obtain internal approval to invest in the proposed business venture.

Each IG shall make a 45-minute presentation on its **Investment Proposal** (presentation slides are to be uploaded after the presentation). The audience/class will act as members of the investment committee (approval authority) of the venture capital firm during Q&A session.

Although all members of the IGs are expected to contribute diligently in preparing the presentation materials, not all members of the group need to do the presentation.

(Subsequently, each pair of EG and IG shall hold separate discussions outside class session to make final clarifications from each party, if necessary. Each IG shall also prepare a **Preliminary Investment Term Sheet** for the purpose of discussion and negotiation with the EG in Project Event 5A/5B/5C. The Preliminary Investment Term Sheet is to be given to the EG prior to the negotiation date).

The IGs will be assessed as a group on:

- *Clarity of slides and ability to communicate and convince the audience on the proposed investment within the allocated time*
- *Enthusiasm and confidence during presentation*
- *Ability to address questions from the audience readily, confidently, and convincingly*

(e) **Project Event 5A/5B/5C**

The aim is to successfully "close the deal" by negotiating and agreeing on the terms and conditions outlined in the Preliminary Investment Term Sheet.

Each pair of EG and IG shall hold a 2.5-hour negotiation session on the Preliminary Investment Term Sheet. The instructor will moderate the negotiation session.

All students involved in the negotiation session are required to actively participate in the negotiation, and each student will also be assessed individually based on his/her quality of participation.

(Each IG shall subsequently incorporate all agreed changes to the terms and conditions to produce and submit the **Final Investment Term Sheet**, which is to be signed by both the IG and the EG.)

Each student will be assessed individually on his/her:

- *Ability to explain the rationale and fairness of adopting or rejecting any proposed investment term*
- *Ability to identify and propose alternatives to prevent a negotiation deadlock*
- *Level of professional disposition, with sensitivity towards counterparty's responses and reactions in the negotiation process*

Each of the EGs and IGs will be assessed as a group on:

- Willingness, determination and resolution in achieving the desired outcome (which is to “close the deal” successfully)*

Rubric 1 – Peer Evaluation (evaluation done by students)

Traits	Performance	
<p><u>1. Roles and Responsibility (RR)</u> Behaves professionally by upholding responsibility and assuming accountability for self and others in progressing towards the team’s goal.</p>	<p>Scant Unclear about his/her own role; refuses to take a role in the group; insists to work individually and has limited coordination or communication with others.</p>	<p>Substantially Developed Always fulfills responsibilities; performs his/her role within the group with enthusiasm and demonstrates willingness to work collaboratively.</p>
Evaluation: Scant <u>1 2 3 4 5 6 7</u> Substantially Developed		
<p><u>2. Communication (CM)</u> Identifies appropriate mechanisms to coordinate and correspond with team members.</p>	<p>Scant Modes of communication are not appropriate, causing confusion and miscommunication among team members.</p>	<p>Substantially Developed Modes of communication are appropriate, and maintaining timely communication and correspondence with team members.</p>
Evaluation: Scant <u>1 2 3 4 5 6 7</u> Substantially Developed		
<p><u>3. Conflict Resolution (CR)</u> Resolves conflicts using a variety of approaches.</p>	<p>Scant Does not recognize conflicts or is unwilling to resolve conflicts.</p>	<p>Substantially Developed Consistently resolves conflicts through facilitating open discussion and compromise.</p>
Evaluation: Scant <u>1 2 3 4 5 6 7</u> Substantially Developed		
<p><u>4. Contributions (CT)</u> Contributes positive input for the team; effectively utilizes one’s knowledge and expertise.</p>	<p>Scant Largely disinterested in working in a group and refuses to participate; observes passively or is unwilling to share information with other team members.</p>	<p>Substantially Developed <u>Actively attends and participates in all activities and provides meaningful contribution in articulating ideas and opinions.</u></p>
Evaluation: Scant <u>1 2 3 4 5 6 7</u> Substantially Developed		
<p><u>5. Relationship (RS)</u> Maintains cooperative interaction with other team members regardless of individual /cultural differences and respects diverse perspectives.</p>	<p>Scant Rarely listens to others and does not acknowledge the opinions that differ from his/her own.</p>	<p>Substantially Developed Engages in respectful relationships with all other members in the team. Embraces and accepts diverse points of view without prejudice.</p>
Evaluation: Scant <u>1 2 3 4 5 6 7</u> Substantially Developed		

References: *Teamwork Value Rubric - Association of American Colleges and Universities*. Retrieved from <http://www.aacu.org/value/rubrics/pdf/teamwork.pdf>

Rubric 2 – Project Events 1 & 2 (evaluation done by instructor)

Traits	Performance	
<p>Ability to articulate and describe the intended business idea clearly/Ability to provide preliminary assessment and suggest improvements on the intended business idea (80%)</p> <p>(Group)</p>	<p>Business idea is not well articulated and not described clearly. Unable to provide any preliminary assessment or suggest any improvements on the business idea.</p>	<p>Business idea is articulated and described very clearly. Able to provide very good preliminary assessment and suggestions on improvement of the business idea.</p>
<p style="text-align: center;">Evaluation: Not Yet <u>1</u> <u>2</u> <u>3</u> <u>4</u> <u>5</u> <u>6</u> <u>7</u> <u>8</u> <u>9</u> <u>10</u> Substantially Developed</p>		
<p>Ability to address questions from the audience readily and confidently (20%)</p> <p>(Group)</p>	<p>Unable to answer questions from the audience readily and with confidence.</p>	<p>Able to handle all questions readily and confidently.</p>
<p style="text-align: center;">Evaluation: Not Yet <u>1</u> <u>2</u> <u>3</u> <u>4</u> <u>5</u> <u>6</u> <u>7</u> <u>8</u> <u>9</u> <u>10</u> Substantially Developed</p>		

Rubric 3 – Project Events 3 & 4 (evaluation done by instructor)

Traits	Performance	
Clarity of slides and ability to communicate and convince the audience on the proposed business/investment within the allocated time (40%) (Group)	Information on slides is not clearly presented, and explanations are not clear and not convincing.	Slide contents are concise and focused. Essential information is explained clearly and convincingly.
	Evaluation: Not Yet <u>1</u> 2 3 4 5 6 7 8 9 <u>10</u> Substantially Developed	
Enthusiasm and confidence during presentation (20%) (Group)	Shows very weak sign of enthusiasm and confidence during presentation.	Highly motivated and exudes enthusiasm and confidence during the presentation.
	Evaluation: Not Yet <u>1</u> 2 3 4 5 6 7 8 9 <u>10</u> Substantially Developed	
Ability to address questions from the audience readily, confidently, and convincingly (40%) (Group)	Unable to answer questions from the audience.	Able to handle all questions readily, confidently and convincingly.
	Evaluation: Not Yet <u>1</u> 2 3 4 5 6 7 8 9 <u>10</u> Substantially Developed	

Rubric 4 – Project Event 5A/5B/5C (evaluation done by instructor)

Traits	Performance	
Explains the rationale and fairness of adopting or rejecting any proposed investment term (40%) (Individual)	Not Yet Does not explain or provide reasons for adopting or rejecting proposed investment terms.	Substantially Developed Gives full and clear justifications or explanations convincingly.
Evaluation: Not Yet <u>1</u> <u>2</u> <u>3</u> <u>4</u> <u>5</u> <u>6</u> <u>7</u> <u>8</u> <u>9</u> <u>10</u> Substantially Developed		
Identifies and proposes alternatives to prevent a negotiation deadlock (40%) (Individual)	Not Yet Does not identify or propose any alternatives to resolve a potential deadlock.	Substantially Developed Identifies and proposes clear and workable alternatives to prevent a deadlock.
Evaluation: Not Yet <u>1</u> <u>2</u> <u>3</u> <u>4</u> <u>5</u> <u>6</u> <u>7</u> <u>8</u> <u>9</u> <u>10</u> Substantially Developed		
Exhibits professional disposition with sensitivity towards counterparty's responses and reactions in the negotiation process (10%) (Individual)	Not Yet Unprofessional and is insensitive towards counterparty's responses and reactions.	Substantially Developed Exhibits high standard of professionalism with great sensitivity towards counterparty's responses and reactions.
Evaluation: Not Yet <u>1</u> <u>2</u> <u>3</u> <u>4</u> <u>5</u> <u>6</u> <u>7</u> <u>8</u> <u>9</u> <u>10</u> Substantially Developed		
Willingness, determination and resolution in achieving the desired outcome (which is to "close the deal" successfully) (10%) (Group)	Not Yet Lacks willingness, determination and resolution to work towards a mutually acceptable "deal".	Substantially Developed Exhibits willingness, determination and resolution in closing the "deal" through successful negotiation.
Evaluation: Not Yet <u>1</u> <u>2</u> <u>3</u> <u>4</u> <u>5</u> <u>6</u> <u>7</u> <u>8</u> <u>9</u> <u>10</u> Substantially Developed		