

Syllabus

Entrepreneurial Finance

(18th February, 2018)

- **Instructor:** Gábor Baranyai
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Office:
Office hours: by appointment
- **Credits:** 2 (4 ECTS) *(8*150 minutes with 20 minutes break)*
- **Term:** Winter 2017-2018
- **Course level:** MA/MSc (Max 25 students)
- **Prerequisites:**

Students must have successfully completed Accounting, Financial Reporting and Control and Finance to be admitted into this class.

Course description

The Entrepreneurial Finance course prepares students to be competent in the skills of an entrepreneur and corporate financial manager. The course will focus on the specific needs of entrepreneurial ventures, including start up and development phase financial and management problems.

The course will consist of a combination of lectures, case discussions and building/analysing Excel financial models.

We will focus on practical managerial implications and considerations. Excel proficiency is essential to complete the course successfully.

The key delivery of the course is to prepare the students to build individually an Excel financial plan, analyse different financial and management problems:

- principles and managerial considerations of financial planning,
- standard financial statements – consolidated and consolidating,
- financial planning and budgeting,
- working capital management, liquidity management,
- financial control, measuring venture's financial performance,
- free cash flow and managerial implications
- financing options, cost of capital, optimal capital structure,
- valuation, exit strategies,
- mezzanine financing,
- analysing exit options,
- risk analysis, scenario and sensitivity analysis.

The **practical oriented** course assumes active participation of the students in the classes. Joint discussions, thinking and reasoning are essential to achieve the objectives. The students will get individual home assignments from class to class, which require application of the topics, discussed at the class, individual research using publicly available sources and preparation and presentation of brief analyses.

Learning outcomes

Core Learning Area	Learning Outcome
Interpersonal Communication Skills	Participate in class discussions and problem solving exercises. Present arguments and findings. Objectively critique findings of fellow students.
Technology Skills	Individual/group research, using publicly available on-line sources. Excel proficiency in financial management.
Cultural Sensitivity and Diversity	Harness international and professional diversity of students in viewing issues and problems from different perspectives.
Quantitative Reasoning	Students will learn how to prepare and apply financial models to appraise the value of a venture or better evaluate the market potential of an opportunity.
Critical Thinking	Exercise the powers of inquiry, logical thinking and critical analysis. Interpret and evaluate theoretical arguments and empirical evidence. Think and reasoning!
Ethics and Social Responsibility	Evaluate and discuss challenges related to corporate governance, social responsibility and ethical and professional behavior. Understand for-profit and social enterprise.
Communication Skills	Prepare for investor presentation. Problem oriented and strate forward approach, but be sensitive and reasonable. Presentation skills – brief, efficient presentation is required. Balance information delivery, conclusion and Q&A.
Management Knowledge and Skills	Attain a broad understanding of management principles and techniques – communication, reporting, motivation, conflict management, risk management, hire-fire decisions. Students will develop skills to prepare and present a financially sound investment presentation to top management and/or investors.

Reading list

Compulsory readings:

J. Chris Leach – Ronald W. Melicher (2015 Fifth Edition) *Entrepreneurial Finance* CENGAGA Learning, ISBN 978-1-285-42575-7

Selected articles, case studies and other readings will be assigned to the participants, time to time.

Optional reading (good to know):

Keith A. Allaman (2007) *Modeling Structured Finance Cash Flows* John Wiley & Sons, Inc., ISBN 978-0-470-04290-8

John F. Tjia (2009) *Building Financial Models* McGraw Hill, ISBN 978-0-07162-126-7

Paul Pignataro (2013) *Financial Modeling & Valuation* Wiley Finance Series ISBN 978-1-118-55876-8

Jerald E. Pinto – Elaine Henry – Thomas R. Robinson – John D. Stowe (2010) *Equity Asset Valuation* Wiley Finance ISBN 978-0-470-57143-9

Recommended readings/research:

- Economic and financial press (*The Financial Times, The Economist, The Wall Street Journal, Business Week, Fortune*),
- Review and practice on-line data bases and other resources (Amadeus, Damodaran, Reuters, Investment banks home pages).

Assessment

The final grade is based on the overall evaluation of students' performance. The following components and weights make up the grade:

- Class participation (individual) **20%**
- Individual project assignment I. (week by week homework) **40%**
- Individual project assignment II. (final take home exam) **40%**

Grade	Assessment	Points
A	Outstanding	100-88%
A-	Excellent	87-76%
B+	Good	75-64%
B	Fair	63-52%
B-	Satisfactory	51-46%
C+	Minimal pass	45-40%
F	Fail	39- 0%

Course schedule and materials for each session

Class	Date	Topic	Preparation	Deliverables
1.	21 st February 2018 Wednesday 5:30 – 8:30 p.m. Room:N13 412/A	Overview - The Entrepreneurial Environment - Entrepreneurial Process - Business/Financial Planning	Readings (pre class reading): Leach/Melicher Ch 1. and 2. Readings: Leach/Melicher Ch 3.	
2.	28 th February 2018 Wednesday 5:30 – 8:30 p.m. Room:N13 412/A	Financial planning and budgeting - Initial Considerations - Standard Financial Statements and Key Relations	Readings: Leach/Melicher Ch 4.	Individual homework assignment #1
3.	7 th March 2018 Wednesday 5:30 – 8:30 p.m. Room:N13 412/A	Managerial Considerations - Business Assessment - Liquidity Management, Treasury - Working Capital Management - Breakeven Analyses - Analyzing financial Performance	Readings: Leach/Melicher Ch 5. and 6.	Individual homework assignment #2
4.	14 th March 2018 Wednesday 5:30 – 8:30 p.m. Room:N13 412/A	Financing the Venture - Financing Alternatives and Managerial Considerations - Types and Costs of Financial Capital - Determination of Financing Need - “J” Curve - Uses & Sources - VC and other financing alternatives	Readings: Leach/Melicher Ch 7. - 12.	Individual homework assignment #3
5.	21 st March 2018 Wednesday 5:30 – 8:30 p.m. Room:N13 412/A	Valuation - Valuation Methods - Valuing Early-Stage Ventures - Value Creation - Enterprise Value/Equity Value	Readings: Leach/Melicher Ch 7. - 12.	Individual homework assignment #4
6.	28 th March 2018 Wednesday 5:30 – 8:30 p.m. Room:N13 412/A	Mezzanine Financing - Mezzanine Financial Plan - Financial Structuring - Typical Financial Planning Problems	Review selected Mezzanine Funds home pages	Individual homework assignment #5 and #6
7.	4 th April 2018 Wednesday 5:30 – 8:30 p.m. Room:N13 412/A	International financial and tax perspectives - Transfer pricing Exit, Risk Analysis - Analysis of Alternative Exit Scenarios - Sensitivity Analysis - Risk Analysis, @Risk	Readings: Leach/Melicher Ch 15. and 16.	Guest speaker Gábor Baranyai EY Amsterdam Take Home Exam
8.	11 th April 2018 Wednesday 5:30 – 8:30 p.m. Room:N13 412/A	Take home exam discussion - Common mistakes - Benchmarking conclusions - Project assessment - Key take away		

Brief bio of the instructor

Gábor Baranyai

Gábor Baranyai has been originating, executing and monitoring private equity and venture capital investments in Central and Eastern Europe for over nineteen years. His main activities are transaction structuring, fund raising and other M&A assignments. Gábor Baranyai acted partner and managing director of DBG Eastern Europe's (a generalist private equity fund) from 1999 to 2005. Prior to joining DBG Eastern Europe, Gábor was country director of CETI (a telecommunications-focused venture capital fund) and served as an investment manager with the International Finance Corporation (the private sector arm of the World Bank). He was also a member of the board of directors of MOL (the Hungarian national oil company) for several years. Gábor is member of the Hungarian Venture Capital and Private Equity Association and Board Member of the Canadian Chamber of Commerce in Hungary. Gábor has an MBA from the Joseph M. Katz Graduate School of Business at the University of Pittsburgh. He has MSc in chemical engineering.