

Fall 2019

ENTR 420-001: New Venture Finance

Michael Ehrlich

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NEW JERSEY INSTITUTE OF TECHNOLOGY
MARTIN TUCHMAN SCHOOL OF MANAGEMENT
New Venture Finance
ENTR 420
Fall 2019

Course Title: New Venture Finance
Instructor: Dr. Michael Ehrlich
Office: Central Avenue Building 2014
Telephone: 973-596-5305 (office)
Class Timing: Friday 1-4PM
Office Hours: Thursday 9AM – 11AM and by appointment
Location: CKB 124

Semester: Fall 2019
Course Number: ENTR 420-001
E-Mail: Ehrlich@njit.edu

Course Description:

Entrepreneurs who develop new ideas and products can create value and change the world. In order to gain control of the needed resources, entrepreneurs must identify and exploit financially rewarding opportunities whether they are seeking to start a new company or develop new business lines in an existing company. This course develops some of the tools needed to conduct financial planning, assess expected financial performance, identify financing needs, and provides guidance on business valuation and deal making. Investors in new ventures can also use these tools. Students will be expected to develop their own idea for a new venture during this course.

Learning Goals & Learning Outcomes:

Learning Goal 1: Understanding of Entrepreneurial Finance Concepts & Problem Solving Skills

- **Learning Outcome 1.1** – Knowledge of entrepreneurial finance concepts and an ability to apply concepts to solve new venture problems
- **Learning Outcome 1.2** – Ability to analyze and use quantitative methods as tools to solve new venture problems

Learning Goal 2: Effective Communication Skills and Information Literacy

- **Learning Outcome 2.1** – Orally deliver new venture pitch and analysis of new venture financing
- **Learning outcome 2.2** -- Ability to write clear and concise prose explaining new venture finance plans
- **Learning Outcome 2.3** – Ability to search databases and locate relevant information to solve new venture problems

Learning Goal 3: Interact Effectively in Teams

- **Learning Outcome 3.1** – Ability to use team building behaviors to develop plans for a new venture

Learning Goal 4: Ethical Reasoning Skills

- **Learning Outcome 4.1** – Ability to identify ethical dilemmas and make decisions grounded in ethical principles

Learning Goal 5: Technological Skills

- **Learning Outcome 4.1** – Ability to use MS EXCEL in a complex analysis of new venture funding needs

Course Materials:

1. Textbook: *Entrepreneurial Finance* by Smith, Smith and Bliss, Stanford University Press 2011 ISBN: 978-0-8047-7091-0
2. Additional Materials provided on moodle.njit.edu course site

Course Management:

This class has four components that are designed to help you gain a solid understanding of new venture finance. The first is, of course, the lectures that will help to guide you through the material and focus your studies. The second is our class workshops and presentations where students must prepare conscientiously and participate actively. **Participation is an important part of your grade (25%).** Those who participate actively and consistently by asking questions of both me and of other students will receive high participation grades. The third is your textbook and other assigned materials in moodle. Specific chapters and topics are assigned for each lecture; please make sure to read the material before listening to the lecture. **Quizzes on the readings will be at the beginning of class.** The fourth is the Canvas site (canvas.njit.edu) where course materials are posted and where you will find updated information. I will use Canvas to post all assignments, announcements, and supplemental materials throughout the semester. **So, please be sure to check the site frequently.**

In preparing for the course, it is necessary that you complete the following tasks on or before the first week of the semester:

1. Purchase the textbook
2. Make sure you have an NJIT UCID and password so that you are able to access Canvas.
3. Familiarize yourself with our syllabus and the Canvas site.

Please note the syllabus is subject to change. Changes will be announced in class and will be emailed and/or posted on Moodle.

In order to be successful in class, it is necessary to take an active role in learning. This means following the course reading schedule, listening to the lectures, and keeping up to date with your assignments. It is required to be an active participant.

Grading and Course Requirements:

Grades will be determined as follows: mid-term presentations (20%), final papers (30%), quizzes and assignments (25%), and class participation including workshops (25%).

The Midterm Presentation will be a presentation in class to potential investors of your financial model during Discovery/Due Diligence phase.

The Final Paper will be a write up of your new venture process. It will include your initial pitch, financial model, valuation results, and deal terms. You will be graded based on both the quality of your work and your demonstrated learning during this process.

Quizzes will be given at the beginning of class and will not be announced in advance, so please come to class prepared. That means that all reading must be done before coming to class. Home work will be due in the week following their assignment.

The workshops will be a hands-on chance to work together on financial projections, valuation, and deal terms. Preparation will be the key to successful participation and a good grade.

Disability:

NJIT adheres to section 504 of the Rehabilitation Act (ADA) of 1990. Appropriate accommodations are provided at no cost to the student. If you have any questions or would like additional information, please contact Dr. Phyllis Bolling, Center for Counseling and Psychological Services (C-CAPS), Campbell Hall, room 205, 973-596-3420 and/or visit the Student Disability Services website. If you wish to have a reasonable accommodation made for you in this class, please discuss the matter with me at the earliest possible time.

Academic Honesty:

You are expected to be honest in all of your academic work. Students should review and study the honor code at:

<http://www.njit.edu/academics/pdf/academic-integrity-code.pdf>

Instances of alleged dishonesty will be forwarded to the Dean of Students for appropriate action. Potential sanctions include failure in the course and suspension from the University.

**Course Schedule for Entr 420
New Venture Finance**

Week of:	Topics	Reading and HomeWork
Sept 6	<ul style="list-style-type: none"> Intro Entrepreneurial Myths and Types, NAVC Model Students must develop NAVC pitches to present Sept 14th 	Review Khan Academy Lectures – Time Value of Money and Present Value Students prepare 2 minute NAVC pitches
Sept 13	<ul style="list-style-type: none"> Intro Entrepreneurial Finance Pitch and Team Formation 	Preface and Chapter 1 Guest Lecture
Sept 20	<ul style="list-style-type: none"> Entrepreneurial Process Financial Projections Workshop (FPW #1) 	Financial Projection Template Review Khan Academy – Accounting and Fin Stmt
Sept 27	<ul style="list-style-type: none"> Money Sources and Deals FPW #2 	Chapter 2 HW: 2:4,2:7,2:9
Oct 4	<ul style="list-style-type: none"> Strategy w Real Options FPW #3 Distance Learning Day 	Chapter 4 (pp 125-151) HW: 4:3, 4:6, 4:8
Oct 11	<ul style="list-style-type: none"> Strategy w Game Tree FPW #4 	Chapter 4 (pp 151- 160) HW: 4:9
Oct 18	<ul style="list-style-type: none"> Early Stage Funding with Angel Investors 	Guest Speaker
Oct 25	<ul style="list-style-type: none"> Midterm Presentations 	
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Nov 1	<ul style="list-style-type: none"> Intro Valuation 	Chapter 9 HW: 9:2, 9:10
Nov 8	<ul style="list-style-type: none"> Valuation in Practice 	Chapter 10 HW: 10:6, 10:7, 10:8, 10:9
Nov 15	<ul style="list-style-type: none"> Deal Structure 	Chapter 12 HW: 12:2, 12:4, 12:6, 12:9
Nov 22	<ul style="list-style-type: none"> Term Sheets I 	NY Angels Standard Seed
Nov 27 (Weds = Friday)	<ul style="list-style-type: none"> Term Sheets II 	NVCA Model Documents
Dec 6	<ul style="list-style-type: none"> Governance 	Board Meeting

Final Papers - Moodle Submission – Due Dec 13th

Have a Great Winter Break!