TMP X 130B - 002  NEW VENTURE FINANCE

Instructor:  Tim Halsey

Spring 2014
Time:   Tue 6:00 – 7:40 PM
Location:   Phelps Hall, Room 2516

COURSE DESCRIPTION
This course is designed to provide a practical approach for understanding and managing the financial aspects of a business from both a corporate and entrepreneurial perspective. The ultimate goal is to provide proven techniques and tools that will allow, not only a quick assessment of a Company’s financial health but the ability to implement appropriate resolutions as needed. Students will learn the importance of financial statements, how to analyze them and what metrics can be used to provide a road map for creating optimal financing strategies. The course will also cover new venture valuation models to better understand the many options available and enabling the student to determine which option is most relevant for their specific situation. Lastly the class will describe and review the many funding alternatives, providing pros and cons of each.

REQUIRED READING
All texts are available on reserve in the UCSB Library Permanent Book Reserve Section under book codes HG 4026 R65 2009 and HF 5681 B2 MG4 1994. Required reading will be assigned from the following texts:
• **Entrepreneurial Finance: Finance and Business Strategies for the Serious Entrepreneur**, Second Edition; Author Steven Rogers Kellogg School of Management; The McGraw-Hill Companies
• **Financial Statement Analysis: The Investor’s Self-Study to Interpreting & Analyzing Financial Statements**, Revised Edition; Author Charles Woelfel; McGraw-Hill

Book required for reading and submission of book review. Book can be purchased or is available at the local SB library:
• **Warren Buffett and the Interpretation of Financial Statements: The Search for the Company with a Durable Competitive Advantage**; Authors Mary Buffet, David Clark; Scriber, A Division of Simon & Schuster, Inc

Other course reading handouts will be provided in class and all class slides will be provided to you through email. All texts can be purchased on Amazon.com they are not available at the school bookstore.

FACULTY
Instructor:   Tim Halsey, MBA
Office Hours:   By appointment or immediately before or after class.
Phone:   805.284.4535

ASSESSMENT
The Course will have the following components:
• **Homework and Class Participation** –
  o  5 Hand-ins - 4 Shark tank, 1 in Class assignment   35%
• **Final Exam**   20%
• **Project Presentation – Analysis Financial Statements**  35%
• **Warren Buffett Book Report**   10%
Homework will include watching and reporting on the reality investment show, “Shark Tank”. Assigned shows will be given in class. Point allocations will be provided on project assignment sheets and/or exam sheets. Attendance is required and the homework and participation grade will include attendance.

Week 1  An Introduction to Finance for New Ventures
- Set Class/student expectations
- Objectives of Financial Reporting
- Qualitative Characteristic of Accounting
- Entrepreneurial Finance
- Selected Finance Principles
- Elements of Financial Statements
- Finance vs. Accounting- Differences/Similarities

Week 2/3  Financial Statements
- Different Business Organizations
- Introduction – Purpose of Financial Statements
- The Income Statement
- The Balance Sheet
- The Statement of Cash Flow
- The Accounting Equation
- The Accounting Expanded Equation

Week 4/5  Analyzing Financial Information
- Major Tools of Analysis
- Ratio Analysis
- Common-size Statements
- Analysis of Liquidity and Activity
- Profitability Analysis
- Analysis of Capital Structure and Solvency
- Critical Success Factors/Key Performance Indicators
- Mid-Term/Quiz

Week 6  Cash Flow Management
- Types of Cash Flow
- Cash Flow Forecast
- The Direct and Indirect Method
- The Cash Gap
- Working Capital
- Finding Cash
- Non-Cash Items

Week 7  Financing of New Ventures and Capital Requirements
- Determining capital needs
- Debt and Equity funding alternatives
- Types of Debt – Pros/Cons
- Private Placement vs. Public Placement – Pros/Cons
☐ CLASS TIMETABLE – ENGR X130B – 002 (Continued)

☐ Raising Capital
☐ Funding Capital Equipment or New Projects
☐ Lease vs. Buy

Week 8  Valuation Model of New Ventures
☐ Key Factors Influencing Valuation
☐ Valuation Methods
☐ Valuation of New Ventures
☐ Valuation of Revenue Generating Firms
☐ Multiples
☐ Asset Valuations
☐ Valuing Technology Companies

Week 9  The Venture Capitalize Selection Process
☐ The Venture Capital Process
☐ The Venture Capital Selection Test
☐ How to Choose and Approach Venture Capital Firms
☐ When should you recruit a Venture Capital Firm
☐ What are the Pros/Cons of working with a Venture Capital Firm
☐ What do Venture Capital Firms look for in a Company’s Financial Statements
☐ What is a “Hockey Stick” Income Statement

Week 10
☐ Final
☐ Project Presentations – Analyzing a Company’s Financial Statements/Venture Capital Presentation