

Course Memo for AI2148, Entrepreneurial Finance

The importance of entrepreneurship for economic development can hardly be overstated. Entrepreneurs contribute to societal growth in that they start new businesses or make already established firms grow. Entrepreneurs and start-ups are important not only for job generation, but also for regional development and industrial renewal and innovation. In Sweden, owing to traditions and structure, the large manufacturing firms dominated the economy up until the early 1990s. Since then a number of start-ups from Sweden has had remarkable success on the international scene, such as Skype and Spotify. In a process that has taken quite some time, entrepreneurs have become the societal heroes of today and not its villains.

One of the perennial problems for the fledgling firm is to acquire resources necessary for the continued development – financial resources is one of these. The course objective is to provide students with insights into the extremely important area of entrepreneurial finance. Without a well-functioning financial infrastructure surrounding entrepreneurs, very few start-ups and ventures will be able to meet the hopes and wishes that most Western economies have put into the entrepreneurial community.

Students can choose to work in existing companies or start their own businesses after they graduate. To understand the differences between being an investor or an entrepreneur is a valuable knowledge regardless of how students choose.

Intended learning outcomes (ILOs)

More specifically the student should be able to:

1. Define and explain the basic concepts and terms used for analysis of entrepreneurship and entrepreneurial finance.
2. Discuss theories and models for entrepreneurship and entrepreneurial finance and apply them on a start-up process.
3. Assess different strategies for an entrepreneurial firm regarding financing, deal structure, valuation, and harvesting.
4. Discuss the role of entrepreneurship in the society and the role of public policy in entrepreneurial finance.

Main content

The main contents of the course can be described as follows: The first part of the course is vital to get a better understanding of the need for entrepreneurship from a societal perspective and the different types of start-ups that coexist in the world. The first part of the course will also include an international outlook and the importance of networking for entrepreneurs.

An important question for any entrepreneur has to do with devising a financial strategy for the start-up. Therefore, in the second part of the course, an important aspect is developing and understanding the financial strategy for entrepreneurial firms and how start-ups are evaluated from different perspectives. The financial decision-making process among entrepreneurs includes the use of financial forecasts and how technical and economic knowledge can provide important insights into the development of forecasts. In the financial strategy, the entrepreneur also has to take valuation, deal structure and harvesting into consideration. The course will also provide insights into the supply and demand for financing in entrepreneurial firms from a societal perspective. We will discuss the importance, as well as limitations, of different sources of public finance.

Activities

The course consists of a number of lectures on entrepreneurial finance. Besides the lectures, the course activities consist of a group work as explained below. The group work will be presented by the students at a mandatory seminar towards the end of the course. Besides the oral presentation and a short summary of the project, students will prepare a written report covering the aspects of starting a firm, working out entrepreneurial strategies, forecasting of revenues, understanding the basis for valuation, deal structure and harvesting.

Group work

During the course, the students will be divided into smaller groups comprising of 3-4 students. These groups will work out a start-up idea, including understanding the product and the market for the product, forecasting revenues, valuating the firm, planning for a deal structure and reflecting on the harvesting possibilities. The groups will present this idea (pitch) for real investors (so called dragons). The groups will describe their projects with an oral presentation for the dragons, combined with a two page written report. They will also write a longer version for the teacher, 10 pages, where the project can be more thoroughly described and explained. The purpose of the group work is twofold – first, the group will dwell deeper into entrepreneurial finance by relating to a start-up project of their own, and share their work with the rest of the group. Second, the group work will help to develop their writing, teamwork and oral presentations.

Students will be assigned to groups during the first lecture.

Course literature

The course has one main book – “Entrepreneurial Finance: Strategy, Valuation and Deal Structure” by Smith, Bliss & Smith (2011), or the later version by Smith and Smith (2019). This is an all-encompassing book that will be complemented with a number of research articles and reports from scientific journals that deals with different aspects of entrepreneurial finance.

Assessment

The course assessment consists of two parts (see Table 1). At the end of the course, there is a written exam for 4.5 credits. All intended learning outcomes (ILOs) are examined with the written exam.

The second assessment consists of a project work and a mandatory seminar for 3.0 credits. The second and third ILOs are examined with the project work.

Tabell 1: ILOs and examinations per ILO

	PRO1	TEN1
1. Define and explain basic concepts and terms used for analysis of entrepreneurship and entrepreneurial finance		X
2. Discuss theories and models for entrepreneurship and entrepreneurial finance and apply them on a start-up process	X	X
3. Assess different strategies for an entrepreneurial firm regarding financing, deal structure, valuation, and harvesting	X	X
4. Discuss the role of entrepreneurship in the society and the role of public policy in entrepreneurial finance		X

Grading

The exam:

The exam has three parts and is set up as follows: The first part consists of five E-assignments, the second part of four C-assignments and the third part of three A-assignments. The exam is graded on a scale A-F (see the criteria in Table 2).

E = To pass the exam, the student will need to pass all assignments at the E-level.

If the E-part is not passed, the C-part and the A-part will not be graded.

Fx = If a non pass is a result on one assignment on the E-level, the grade Fx is received on that assignment. A supplementary task is required which needs to be handed in no later than two weeks after the exam. The C-part and the A-part will be graded, which means that the student can get a higher grade than E after passing the supplementary task.

C = To receive the grade C, the student should have passed the E-part, and pass at least three out of four C-assignments.

A = To receive the grade A, the student should have passed the C-part and at least two out of three A-assignments.

The project work:

The project work is graded on a scale A, C, E, Fx, F.

E = To pass the project work, the student should take part in a group work with 3-4 students, where the task is to start a “new venture” and assess financial needs. The business idea should be presented in a seminar to real investors (dragons) with a two page written report (short version). A long version should be provided to the teacher where all the elements of entrepreneurial financing, such as market analysis, forecasting of revenues, valuation, deal structure and harvesting, are included. There should also be references to theories where applicable. The student must be present at the seminar.

Fx = If the project work receives a non pass, and this is a result of leaving out one important area of the financing process, Fx is received on that area. A supplementary task regarding that area is given which needs to be handed in no later than four weeks after the seminar. If the student receives a non pass as a result of not being present at the seminar, the supplementary work is to read four other groups’ work (the long version) and comment on their papers in a written statement.

C =

- 1) Requirements for E, and the dragons give a “no financing now – but later with some improvements” and the long version of the report is graded at least E, which means that all elements are included, or
- 2) Requirements for E, and the dragons give a “Yes – we want to finance this project” and the long version of the report is graded E, which means that all elements are included.
- 3) Requirements for E, and the dragons “give no money” and the long version of the report is graded at least C, which means that all elements are included and the choices are motivated.

A =

- 1) Requirements for C and the dragons give a “Yes – we want to finance this project” and the long version of the report is graded at least C, which means that all elements are included and the choices are motivated, or
- 2) Requirements for C and the dragons give “no financing now- but later with some improvements” and the long version of the report is graded A, which means that all elements are included, the choices are well motivated and evaluated in an integrated and holistic way.

The motivation for the dragons’ decision regarding financing of the projects are based on the students’ skills in motivating finance from the point of view of realism of business idea, market analysis, revenue prospects and valuation.

The combinations of grades:

E = E on the exam and E on the project work.

D = E on the exam and at least C on the project work, or C on the exam and E on the project work.

C = C on the exam and C on the project work. E on the project work and A on the exam.
(Note. Not the other way around).

B = C on the exam and A on the project work, or A on the exam and C on the project work.

A = A on the exam and A on the project work.

Table 2: ILOs and grading criteria per ILO

	Intended Learning Outcomes: The student should be able to:	E	C	A
1.	Define and explain basic concepts and terms used for analysis of entrepreneurship and entrepreneurial finance	Define and explain basic concepts in a correct way	Criteria for E, and explain with certainty the meaning of specific terms by providing examples of their use	
2.	Discuss theories and strategies for entrepreneurship and entrepreneurial finance and apply them on a start-up process	Differentiate between theories and strategies for financing and apply them in a start-up process	Criteria for E, and discuss why certain strategies are better than others for different start-up firms	Criteria for C, and relate the discussion on suitable strategies to theory on entrepreneurship and entrepreneurial finance
3.	Assess different strategies for an entrepreneurial firm regarding financing, deal structure, valuation and harvesting	Assess the suitability of strategies regarding financing, deal structure, valuation and harvesting	Criteria for E, and compare the entrepreneurial and the investor perspectives	Criteria for C, and judge and evaluate a start-up's financing needs and strategies in an integrated and holistic way
4.	Discuss the role of entrepreneurship in the society and the role of public policy in entrepreneurial finance	Discuss the roles of entrepreneurship in society and public policy for entrepreneurial finance	Criteria for E, and give examples of importance of entrepreneurship and public policy	Criteria for C, and reflect on the possibilities to enhance the entrepreneurship with the help of public policy

Examinor

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Information on examination, registration of courses and grades: Nadia Arman,
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Extradition of examination

Course office, Building and Real Estate Economics, Teknikringen 10B, Opening hours are Monday - Thursday 13.00-15.00.

Registration, enrolment and examination

To be able to follow the course and to write your exams you have to confirm your participation through “Mina sidor” and you need to register.

The course ends with a written examination. The registration for the examination is compulsory and ought to be done on “Mina sidor” at least two weeks, and not earlier than four weeks before the actual examination. The examination is graded according to a scale from A-F.

Message, e-mail and sms

You will find information about the course on the web-based notice board Canvas and in some cases it can be sent to you through e-mail to your KTH-address. If you choose not to use the KTH-address, it's very important that you autoforward your mails to the e-mail address that you actually use, by changing the settings on “mina sidor”. We can also contact you through text messages to your mobile phone, if you register your mobile number in Canvas, in case of urgent matters, for example in case of change of lecture hall or cancellation of a lecture.

On Canvas we'll put information such as schedule, course description, ppt-slides from the lectures, project assignments and other information from the course.

KTH.se-account

To be able to use the web-based student support, you'll need a KTH-account, one e-mail address and you have to be registered in the course. **It is your responsibility** to arrange for a KTH.se-account. You can contact the KTH's ITE Support Center (Osquars backe 20, in front of the library). Please bring your ID card. Opening hours are Monday- Friday 8.00 – 16.30.

We recommend that you organize your KTH-account before the course starts, make sure that it's done by the end of the first week of studies! You can find more information about KTH.se-account on: <http://www.kth.se/student/support/ITESC>

Access to the computer rooms – applies only for the non program students.

To be able to enter the KTH's computer rooms you'll need an access card, that you receive from the card-office. Bring your id card and your course code.

The card office is open: 10.00-11.30 and 12.30-13.30

Visiting address: Osquards väg 6, floor 4 **E-mail:** kortexp@admin.kth.se

Academic honesty and plagiarism

The University frowns upon plagiarism and related acts of academic dishonesty. Plagiarism results from using someone else's ideas without acknowledging it. This is a serious offence and will cause your report to be rejected. To avoid this, remember to give credit in the following instances¹:

- When you are using or referring to somebody else's words or ideas from a trade or research journal, a textbook, newspaper a Web page or electronic document or any other medium
- When you use information gained through interviewing another person during the property inspections or any other occasion
- When you use ideas that others have given you in conversations or over email
- When you copy the exact words from anywhere
- When you reprint any diagrams, illustrations, charts, and pictures from the property owner's website or from market reports

Exams appeals

According to Swedish law, you cannot appeal against your mark/grade. Only if the teacher has made a mistake when correcting your examination can he/she reconsider your result and your mark. This could be, for example, if a mistake has been made while adding up your points, if a question hasn't been marked, or if the correcting teacher has mistakenly given you fewer points than you deserve. Please remember, when reconsidering your results, the

¹ These guidelines were adapted from Purdue University Online Writing Lab (2005). *Avoiding Plagiarism*. Retrieved 2005-09-26 from http://owl.english.purdue.edu/handouts/research/r_plagiar.html

teachers will not be “kinder” than before. You will only be given more points if the teacher has made a mistake.

If you think that we have made a mistake, you must make your complaint in a written form. Please note that if you decide to collect your examination before making your complaint you must ask the course administrator to give you a copy of your examination, not the original.

Other facts

We recommend you to visit KTH’s student web – <http://www.kth.se/student> – to read about the general policy that is applied at KTH. There you can find important information about: “The rights and the obligations of the students”, “functional disability”, “examination rules” etc.