

**Commerce 4FO3
Small Business and Entrepreneurial Finance
Fall 2019 Course Outline**

**Finance and Business Economics
DeGroote School of Business
McMaster University**

COURSE OBJECTIVE

This course is intended for students who wish to enhance their skills and knowledge in those areas of business that lead to successful entrepreneurship and/or small business management. The focus will be on those financial issues and decisions of particular concern to sole proprietors, partnerships, family-owned businesses and small non-public corporations. This will include the financial aspects of the relationship between the firm and its owners. The course is intended to be non-technical in order to be accessible by students with a variety of backgrounds.

INSTRUCTOR AND CONTACT INFORMATION

Lecture C01

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|---|---|
| Instructor: D. Pitman Office: TBA Office Hour: TBA | Teaching Assistant: TBA Office: TBA Office Hour: TBA |
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Course website: avenue.mcmaster.ca

COURSE ELEMENTS

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|---------------------|------------------|-----------------|----------------------|
| Credit Value: 3 | Leadership: Yes | IT skills: No | Global view: Yes |
| A2L: Yes | Ethics: No | Numeracy: Yes | Written skills: Yes |
| Participation: Yes | Innovation: Yes | Group work: Yes | Oral skills: Yes |
| Evidence-based: Yes | Experiential: No | Final Exam: No | Guest speaker(s): No |

COURSE DESCRIPTION

This course is intended for students who wish to enhance their skills and knowledge in those areas of business that lead to successful entrepreneurship and/or small business management. The focus will be on those financial issues and decisions of particular concern to sole proprietors, partnerships, family-owned businesses and small non-public corporations.
Lectures (three hours)

Prerequisite(s): COMMERCE 2FA3, ECON 2I03, or IBH 2BB3; and registration in level III or above in any Honours Bachelor of Commerce, Engineering and Management program, or Level IV of the Commerce program, or the Minor in Innovation

LEARNING OUTCOMES

Upon successful completion of this course, students will be able to complete the following key tasks:

- Understand the components of a sound business model;
 - Develop and write a business plan;
 - Decide whether the venture should be a proprietorship, partnership or corporation;
 - Measure and evaluate financial performance;
 - Prepare a cash budget;
 - Explain how the time pattern of cash flows relates to the value of the venture;
 - Identify various sources of financing; and
 - Develop an exit strategy.
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COURSE MATERIALS AND READINGS

Required:

Textbook: Entrepreneurial Finance, 6th Edition, Leach and Melicher. Available at the bookstore.

Further reading materials may be announced by the instructor during the course.

EVALUATION

Learning in this course is facilitated primarily through lectures and in-class discussions. Students are expected to be prepared for class and to contribute to class discussion (a component of the evaluation). A component of the evaluation is based on group work.

Missed tests/exams will receive a grade of zero unless the student has submitted and been approved for a Notification of Absence or MSAF. Late assignments will be penalized 5% for each day they are late. Your final grade will be calculated as follows:

Components and Weights

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| Class Participation (Individual) | 5% |
| Assignment (Individual) | 15% |
| Midterm Exam | 35% |
| Business Plan Presentation | 15% |
| Business Plan Submission | 30% |
| Total | 100% |

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy.

www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf

Class Participation

Participation in-class is worth 5% of the final course grade. Students are expected to be prepared for class and to actively contribute to class discussion. Not only does participation enhance mastery of the course curriculum individually but it also enhances the learning experience for the class generally. Assessment for participation will be on a self-reported basis.

At the end of term, each student will be required to submit to Avenue a summary on their participation throughout the class. The instructor will post a summary template in which students will record participation weekly. Participation will be assessed commencing the third week of class.

Assignment

The assignment is to be completed individually and is worth 15%. The assignment will be posted on Avenue 2 weeks prior to its due date.

Midterm

The midterm (35%) is closed book. Potential question types include multiple choice, short answer and problems requiring calculations. The midterm will be held in class.

Start-up Business Plan

The objective is to prepare a financed-focused business plan that a professional investor would evaluate for funding purposes. The business plan needs to focus on an original or early-stage idea that has realistic potential to receive start-up funding. Students will work in groups (maximum 3 people).

There are three deliverables:

- A) Proposal: Submit start-up proposal on Avenue for approval (no associated marks)
- B) Presentation: A presentation version of the business plan. Submit Powerpoint slides on Avenue (15%)
- C) Business Plan Submission: A complete business plan document submitted on Avenue (30%)

Additional information including specific direction on content and organization will be provided early in the course.

Communication and Feedback

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Area Administrative Assistants. Instructors are required to provide evaluation feedback for at least 10% of the final grade to students prior to Week #9 in the term. Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the *Academic Integrity Policy*, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

ONLINE COURSE COMPONENTS

In this course we will be using Avenue. Students should be aware that when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure.

If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroot website at the link below;

<http://ug.degroote.mcmaster.ca/forms-and-resources/missed-course-work-policy/>

STUDENT ACCESSIBILITY SERVICES

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca.

For further information, consult McMaster University's Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request, including the dates/times needing to be accommodated and the courses which will be impacted, to their Faculty Office normally within 10 days of the beginning of term or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

<https://multifaith.mcmaster.ca/riso>

POTENTIAL MODIFICATION TO THE COURSE

The instructor reserves the right to modify elements of the course during the term. There may be changes to the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in Commerce 4FO3 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

COMMERCE 4FO3
Small Business and Entrepreneurial Finance
Fall 2019 Course Schedule

| LECTURE | DATE | CHAPTER | |
|---------------------------------------|-----------------------|----------------|--|
| <i>Entrepreneurial Environment</i> | Sept 3 rd | 1 | Review Course Outline Introduction to finance for Entrepreneurs. |
| <i>Organizing and Operating</i> | Sept 10 th | 2, 3 | Developing Business Idea Organizing and Financing a New Venture |
| | Sept 17 th | 4 | Preparing and Using Financial Statements |
| | Sept 24 th | 5 | Evaluating Operating and Financial Performance Class participation Begins |
| <i>Planning</i> | Oct 1 st | 6 | Managing Cash Flow Individual Assignment Due |
| <i>Creating and Recognizing Value</i> | Oct 8 th | 7 9 | Types and Costs of Financial Capital Projecting Financial Statements |
| | Oct 22 nd | 10 | Valuing Early-Stage Ventures Business Plan Proposal Due |
| <i>Structuring Finance</i> | Oct 29 th | 11,12 | Venture Capital Valuation Methods. Professional Venture Capital Midterm Review |
| | Nov 5 th | | Midterm Exam (Chapters 1 – 7, 9 - 12) |
| | Nov 12 th | 13 | Other Financing Alternatives |
| | Nov 19 th | 14 | Security Structures and Determining Enterprise Values |
| <i>Exit and Turnaround</i> | Nov 26 th | 15 | Harvesting Business Venture Business Plan Presentations Due |

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| | Dec 3 rd | 16 | Financially Troubled Ventures: Turnaround Opportunities? Business Plan Submission & Presentations Due Class Participation Report Due |
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