

BUSINESS F720 – Small Business/Entrepreneurial Finance Winter 2019 Course Outline

Finance and Business Economics Area 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 small business management. The focus will be on those financial issues and decisions of particular concern to sole proprietors, partnerships, family-owned business and small early-stage corporations. This will include the financial aspects of the relationship between the firm and its owners.

INSTRUCTOR AND CONTACT INFORMATION

Class Timing: **Tuesdays at 2.30 pm**
All times referenced in this document are Eastern.

Adeel Mahmood
Instructor
Tel: 905-525-9140 Ext 20559
Office Hours: After class or by appointment

COURSE ELEMENTS

Credit Value: 3	Leadership: Yes	IT skills: No	Global view: Yes
Avenue: Yes	Ethics: No	Numeracy: Yes	Written skills: Yes
Participation: Yes	Innovation: Yes	Group Work: Yes	Oral skills: Yes

COURSE PREREQUISITES AND COMPLEMENTS

Students should be registered in the MBA program prior to the start of this course. All other graduate students should contact the MBA Academic Services Office. A complementary course, F724/V705 (Venture Capital and Private Equity), focuses on the availability and use of venture capital and private equity for small businesses.

Certain entrepreneurship courses offered by the Areas of Strategic Management may also be complementary to this course.

COURSE DESCRIPTION

This course focuses on the general financial management issues facing small- and medium-sized and growing companies. The style of instruction is centred on the case method and project work but will also include lectures and discussions. It may also be supplemented by the participation in class of guest speakers.

The course is centred on small businesses, including early-stage, growing, and private companies and will be of interest to those considering careers in finance or as entrepreneurs. The focus is on those financial decisions of particular concern to sole proprietors, partnerships, family-owned business and small early-stage corporations.

In addition, from the perspective of an entrepreneur, the course will allow students to research and potentially implement the start-up, development, and growth of an early-stage, growing, or private company, including a family business.

LEARNING OUTCOMES

There are both individual and team learning aspects of this course.

Individual Learning Outcomes

Upon completion of this course, students will be able to exhibit sound knowledge of the following key topics:

- Understand the unique risks and rewards of managing a small business;
- Identify the strategic and administrative steps involved in starting up a small business;
- Understand how to analyze the financial metrics of a new venture and make well-supported investment decisions;
- Create a marketing plan for a small business, including pricing decisions and building a sales forecast;
- Create a human resource plan for a small business, and utilize the resulting human resource information in budgeting and planning; and
- Perform the necessary financial analysis to create the budgets and financial forecasts used by a small business.

Team Learning Outcomes

The learning keystone of this course is an investment-focused business plan centred on a real-life company or project. Working in teams, students will research and optionally implement the start-up, development, and growth of a small business (such as an early-stage, a growing, or a private company) or project, including a family business. While the focus of the conceptual

work will be on analyzing and presenting a financial management case, teams can incorporate this case in a business plan that develops the underlying idea or opportunity from scratch.

The definition of a start-up or an idea or an investment opportunity is fairly broad in the context of this course. Please refer to the Evaluation section of this document for more details.

REQUIRED COURSE MATERIALS AND READINGS

Course content and class communication available on Avenue:

- <http://avenue.mcmaster.ca>

OPTIONAL COURSE MATERIALS AND READINGS

Longenecker, Donlevy, Calvert, Moore, Petty, Palich; Small Business Management: Launching and Growing Entrepreneurial Ventures, *Fourth (4th) Canadian Edition*; Nelson Education, 2010

- ISBN: 9780176500054

Metrick and Yasuda, Venture Capital and the Finance of Innovation, *Second (2nd) Edition*; Wiley, 2010:

- ISBN: 9780470454701

EVALUATION

Individual learning in this course results primarily from in-class discussions based on thorough preparation in advance of the assigned cases or problems. The balance of the individual learning results from lectures on specific topics, student research, and in-class exercises.

Team learning focus of this course is on an investment-focused business plan centred on a real-life company or project. Working in teams, students will research and potentially implement the start-up, development, and growth of an early-stage, a growing, or a private company or project, including a family business.

The final grade will be calculated as follows:

Components and Weights

Class Participation	<i>Described below</i> (individual)	10%
Two (2) Term Tests	Written in class (individual)	2 x 20%
<i>Business Plan</i> Progress Presentation 1	Provided to the class (group)	10%
<i>Business Plan</i> Progress Presentation 2	Provided to the class (group)	15%
<i>Business Plan</i> Final Document	Due at the end of the term (group)	25%
Total		100%

Class Participation

Name cards are used to help give credit for class participation and contribution to in-class case discussion. Students must have name cards with their full first and last names clearly written and displayed in front of them for every class. It is imperative that students prepare for every class. **Class participation marks are primarily based on the quality of contribution.** No class attendance results in zero mark.

A student **missing a class** during the term, excluding a class where a test or an exam is held, must follow the policies outlined in the section *Requesting Relief for Missed Academic Term Work* below if he or she wishes to avoid getting a zero (0) participation grade for that class.

If the policies allow the relief, the student's participation grade for the classes with relief requests will be re-assigned to the graded classes.

Refer to the ***Participation Details*** document available online in Avenue for more details on the evaluation aspects of this course component.

Term Tests

Two (2) Term Tests – *open-book, open-notes* tests – will be written in class. More details will be provided during the course of the term.

A student *missing a test* is required to contact the Student Experience office and obtain an official approval of relief if he or she wishes to avoid getting a zero (0) grade for the test. If the office adjudicates that relief be provided, the student’s grade for the test will be calculated based on mark re-allocation policy as detailed in the *Missed Tests* document available online.

Business Plan

The learning keystone of this course is a finance-focused business plan centred on a real-life company or project. Working in teams, students will research and optionally implement the start-up, development, and growth of a small business (such as an early-stage, a growing, or a private company) or project, including a family business.

Group Formation

Students will form groups for a number of activities in the course. Each group will have the *Business Plan* Progress Presentations and Final Document to complete. **The group members will be assigned individual grades relative to the group grade based on the peer assessments completed towards the end of the course.**

Choosing an Idea or a Project

The definition of a start-up project or an idea or an investment opportunity is fairly broad in the context of this course. The following classification system is used to define the types:

Type	Description	Examples
I	A new, not-yet-funded business at least one of whose founders or significant shareholders is a part of the same Business Plan team	An original idea to start a new company
II	An existing, not-yet-funded business at least one of whose founders or significant shareholders is a part of the same Business Plan team	An existing, early-stage idea that still needs extensive work before any fundraising activities
III	All other business or projects	An existing business wants to expand in a new geography or develop a new product; a research project to significantly improve an existing business model

In cases where the exact Type classification is unclear based on the definitions above, the Instructor will determine the classification for the team.

More on Type III Classification

The Type-III classification is intended for a team that cannot come up with an idea or a project of Types I and II. In such an instance, as a suggestion, the team may want to approach an existing business of interest and offer to do a venture project for the business within the scope of this course. Alternatively, a team may choose to advise individual entrepreneurs (not registered in the course) on completing a formal business plan within the scope of this course. See the Examples provided above for additional guidance.

Teams are encouraged to be proactive in their search and do projects with businesses that are aligned with their interests.

Restriction on Business Activities

For Types I and II, teams cannot choose businesses more than 50% of whose annual revenues are expected to be derived from (a combination of) the following activities:

- Investment or fund management, private equity, venture capital, search fund, and the like;
- Personal or professional services where it is difficult to separate the people from the product or the service;
- Not-for-profit and governmental services; and
- Activities with revenues expected to be derived from geographies outside of North America.

In addition, for any of the three types, teams cannot choose a business involved, in part or whole, in prohibited activities including gambling, any illegal activity, or any activity that may be considered offensive by at least 10% of the students registered in the course.

Non-disclosure Agreement

Any student registered in the course after the course drop deadline will be required to sign a non-disclosure agreement (NDA) restricting the student from disclosing or using any *proprietary* or *confidential* information gained in the course without the prior written approval of the owner of such information. The signed NDAs of the individual team members will be due by the end of the third class of the term.

Business Plan Progress Presentations

As outlined in the course schedule, each team will provide a series of Progress Presentations to the class over the course of the term as instructed. The class as a whole will get an opportunity to provide feedback. Each group will submit its feedback on the presentations online.

More details of the format, structure, and duration of the presentations will be provided during the course of the term.

Business Plan Final Document

Each team will submit a slides-based Final Document that details the finance-focused business plan the team has developed. No final presentation will be required. The Final Document will be due online on the last day of the scheduled classes.

The general guideline to follow in preparing the Final Document is to present a business case that a professional investor can evaluate for funding. More details of the format, structure, and length of the Final Document will be provided during the course of the term.

COMMUNICATION AND FEEDBACK

Students who are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

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 Administrative Assistant.

Instructors should conduct an informal course review with students to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

ACADEMIC DISHONESTY

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 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

MISSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation

Where students miss a regularly scheduled mid-term or class participation for legitimate reasons as determined by the Student Experience – Academic (MBA) office, the weight for that test/participation will be distributed across other evaluative components of the course at the discretion of the instructor. Documentation explaining such an absence must be provided to the Student Experience – Academic (MBA) office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide to Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroot website at <http://mbastudent.degroot.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

Students unable to write a mid-term at the posted exam time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, have the option of applying for special exam arrangements. Such requests must be made to the Student Experience – Academic (MBA) office at least ten (10) working days before the scheduled exam along with acceptable documentation. Instructors cannot themselves allow students to unofficially write make-up exams/tests. Adjudication of the request must be handled by Student Experience – Academic (MBA).

If a mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

Missed Final Examinations

A student who misses a final examination without good reason will receive a mark of 0 on the examination.

All applications for deferred and special examination arrangements must be made to the Student Experience – Academic (MBA) office. Failure to meet the stated deadlines may result in the denial of these arrangements. Deferred examination privileges, if granted, must be satisfied during the examination period at the end of the following term. There will be one common sitting for all deferred exams.

Failure to write an approved deferred examination at the pre-scheduled time will result in a failure for that examination, except in the case of exceptional circumstances where documentation has been provided and approved. Upon approval, no credit will be given for the course, and the notation N.C. (no credit) will be placed on the student's transcript. Students receiving no credit for a required course must repeat the course. Optional or elective courses for which no credit is given may be repeated or replaced with another course of equal credit value.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

Any student who is unable to write a final examination because of illness is required to submit the Application for Deferred MBA Final Examination and a statement from a doctor certifying illness on the date of the examination. The Application for Deferred MBA Final Examination and the McMaster University Student Health Certificate can be found on the DeGroot website at <http://mbastudent.degroot.mcmaster.ca/forms-and-applications/> Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. Students who write examinations while ill will not be given special consideration after the fact.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) office within five business days of the missed examination.

Special examination arrangements may be made for students unable to write at the posted exam time due to compelling reasons (for example religious, or for part-time students only, work-related reasons):

Students who have religious obligations which make it impossible to write examinations at the times posted are required to produce a letter from their religious leader stating that they are unable to be present owing to a religious obligation.

Part-time students who have business commitments which make it impossible to write examinations at the times posted are required to produce a letter on company letterhead from the student's immediate supervisor stating that they are unable to be present owing to a specific job commitment.

In such cases, applications must be made in writing to the Student Experience – Academic (MBA) office at least ten business days before the scheduled examination date and acceptable documentation must be supplied.

If a student is representing the University at an academic or athletic event and is available at an overlapping scheduled time of the test/examination, the student may write the test/examination at

an approved location with an approved invigilator, as determined by the Student Experience – Academic (MBA) office.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) office within ten business days of the end of the examination period.

Note: A fee of \$50 will be charged for a deferred exam written on campus and a fee of \$100 for deferred exams written elsewhere. In cases where the student's standing is in doubt, the Graduate Admissions and Study Committee may require that the student with one or more deferred examination privileges refrain from re-registering until the examination(s) have been cleared.

STUDENT ACCESSIBILITY SERVICES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

ACKNOWLEDGEMENT OF COURSE POLICIES

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of this course 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.

POTENTIAL MODIFICATIONS TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change 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.

COURSE SCHEDULE

CL.	DATE	CONTENT	COMPONENT DUE
1	Tue. Jan 8	<p>Introduction</p> <p><i>Topics:</i> Entrepreneurship and Small Business, Business Models</p> <p><i>Read:</i> Week 1 Readings</p>	-
2	Tue. Jan 15	<p>Market Research</p> <p><i>Topics:</i> Market Research Process, Data Gathering Techniques</p> <p><i>Read:</i> Introduction to Market Research</p>	-
3	Tue. Jan 22	<p>Human Resource and Operations Planning</p> <p><i>Topics:</i> Building a Team, Organizational Planning, Operations Management</p> <p><i>Read:</i> Week 3 Readings, Restaurant Simulation</p>	<ul style="list-style-type: none"> • <i>Business Plan Proposals</i> (<i>electronic copies due online by the end of the class</i>) • <i>Signed NDAs</i>
4	Tue. Jan 29	<p>Forecasting and Budgeting</p> <p><i>Read:</i> Forecasting Case Study, Cash Budgeting</p>	-
5	Tue. Feb 5	<p><i>Term Test I</i> – To Be Written in Class</p> <p><i>(No Lecture or Case Discussion)</i></p>	
6	Tue. Feb 12	<p>Business Plan Progress Presentations</p> <p>Refer to the <i>Business Plan</i> documents available online for more details.</p>	<ul style="list-style-type: none"> • <i>Business Plan Progress Presentation 1</i> (<i>electronic copies due online by the beginning of the class</i>)
-	Tue. Feb 19	<p><i>Midterm Recess (No Class)</i></p>	

CL.	DATE	CONTENT	COMPONENT DUE
7	Tue. Feb 26	<p>Venture Capital and Entrepreneurial Finance (Part I)</p> <p><i>Topics:</i> Common Shares, Preferred Shares, Other Financial Instruments</p> <p><i>Read:</i> VC 1 Reading</p>	<ul style="list-style-type: none"> • Group Feedback on Progress Presentation 1 (due online by the beginning of the class)
8	Tue. Mar 5	<p>Venture Capital and Entrepreneurial Finance (Part II)</p> <p><i>Topics:</i> Stages of Development, Pre-/Post-money Valuations, Cap Tables, Modelling</p> <p><i>Read:</i> VC 2 Reading</p>	-
9	Tue. Mar 12	<p>Group Work Week</p> <p>Reserved for collaboration on the business plan and field work</p>	-
10	Tue. Mar 19	<p>Sales and Marketing Planning</p> <p><i>Topics:</i> Small Business Marketing, Pricing Considerations</p> <p><i>Read:</i> Marketing Reading</p>	-
11	Tue. Mar 26	<p>Term Test II – To Be Written in Class</p> <p>(No Lecture or Case Discussion)</p>	
12	Tue. Apr 2	<p>Business Plan Progress Presentations</p> <p>Refer to the <i>Business Plan</i> documents available online for more details.</p>	<ul style="list-style-type: none"> • Business Plan Progress Presentation 2 (electronic copies due online by the beginning of the class)
13	Tue. Apr 9	<p>Special Topics</p> <p><i>Topics:</i> Franchising, Family Business</p>	<ul style="list-style-type: none"> • Group Feedback on Progress Presentation 2 (due online by 11.59 PM on this date)
	Mon. Apr 15	<p>Business Plan Final Document – Due Online by 11.00 AM</p>	

Class schedule may be revised during the course of the term.