

Entrepreneurial Finance
FIN-E0309 (6 cr.)
Spring 2024

Instructor's contact information	Course Information
Matti Keloharju matti.keloharju@aalto.fi Office V309 Office hours: By appointment Please give any email the title "EF".	M.Sc. Finance course Period IV, 2023/2024 Language of Instruction: English
Co-instructor's contact information	
Penglong Li penglong.li@aalto.fi Office V314 Office hours: By appointment Questions concerning exercises, grading, and details on course administration should be sent directly to co-instructor. Please give any email the title "EF".	

Course overview: This course uses a combination of lectures and exercises to provide an overview of entrepreneurial finance. The course is aimed for students interested in founding their own start-up company, those looking to start or work for a venture capital or a related organization, and students who expect to interact with either entrepreneurs or early stage investors through their roles as management consultants, bankers, or others. Because of this, attention is given both to the perspective of an entrepreneur seeking financing and to the perspective of capital suppliers.

The course will cover a wide range of issues including, but not limited to, pitching the entrepreneur's financial plan, evaluation of entrepreneurial opportunities and the venture capital valuation method, term sheets and deal structuring, financing processes, investors' roles in corporate governance, exit routes, venture capital funds and other early stage investors, as well as the ecosystem surrounding entrepreneurial firms. Entrepreneurial finance is a combination of art and science, and an optimal quantitative solution may not always be found: market participants are required to make qualitative judgements under a high degree of information asymmetry and based on incomplete resources.

Although venture capital financing will be covered in the course, the coverage of private equity will not be complete. More complete coverage of these topics is given in the Alternative Investments course (28E35700).

Prerequisite knowledge and skills: Students are expected to have command over topics covered in Rahoituksen perusteet / Introduction to Finance (28A00110), Corporate Finance (28C00100), and Capstone: Valuation (28C00500), or comparable courses.

Learning outcomes: By the end of the course students should have formed a solid understanding of entrepreneurial firms' financing and understand the incentives of both the

entrepreneur and the financiers. Students will learn how initial business opportunities are being evaluated and how both quantitative (valuation, term sheet clauses) and qualitative deal elements are being negotiated and structured through a practical hands-on approach. Students will further become familiar with the common staged financing processes and the investors that partake in these financing rounds as well as the alternative debt financing available. Lastly, students will learn how to plan for the eventual exit's timing and type.

Assessment and grading:

Grades (max 103 points) are based on:

Negotiation Exercise	max 30 points
Exercise Sets	max 33 points
Final Exam	max 40 points

In order to pass the course, you are required (1) to obtain a total of 50 points from the course and (2) to obtain 50% of the points available in the final exam. Provided that you pass these benchmarks and pass the course, your final grade is determined according to the table below by the total combined points earned from different graded course components:

$90 \leq x \leq 103$: Final grade = 5

$80 \leq x < 90$: Final grade = 4

$70 \leq x < 80$: Final grade = 3

$60 \leq x < 70$: Final grade = 2

$50 \leq x < 60$: Final grade = 1

$0 \leq x < 50$: Final grade = 0, Fail

The points earned from the exercises and the assignments are valid for one academic year from the start of the course (i.e. for the two exams held during the academic year 2023-2024).

Assignments and exercises: The course features an investment negotiation exercise and three smaller exercise sets. The same group consisting of four students will be used for all four pieces of exercises. Separate instructions, deadlines and other required information regarding the assignments will be distributed through the course's MyCourses page.

Lectures: Class meets on Wednesdays and Fridays from 10.15 to 11.45, while exercise lectures are held on Thursdays from 10.15 to 11.45. Because of the approaching Easter, Lecture 9 is exceptionally held on Monday March 25 from 12.15 to 13.45. Moreover, on the last week, the negotiation exercise classes will be held on consecutive days, Wednesday and Thursday, while the last exercise class will be held on Friday. Please see the preliminary schedule below for details, including the changed order of regular and exercise classes in the last weeks of the course. Lectures and other classroom activities are subject to change based on Aalto University's policies and guidelines.

It is not mandatory to attend the lectures except for one of the two negotiation exercise sessions during which students are required to peer grade presentations on other groups' negotiations.

Readings: See the preliminary schedule below for more info on readings.

(1) Da Rin & Hellmann (2020). Fundamentals of Entrepreneurial Finance. Oxford University Press. ISBN:9780199744756

(2) Other materials provided through MyCourses

Workload:

Item	Workload
Classroom Hours	36h
Negotiation Exercise Preparation	36h
Assignment Preparation	36h
Independent Study	24h
Exam Preparation	25h
Final Exam	3h
Total	160h (6 credit units)

Preliminary Schedule:

Session	Date	Topic	Readings
1	28.2.2024	Lecture 1: Introduction & Evaluating a Business Opportunity	Ch 1, Ch 2
2	29.2.2024	Exercise Lecture 1: Ownership allocation & Venture Valuation	(Ch 4, Ch 5)
3	1.3.2024	Lecture 2: The Financial Plan Deadline for group registration	Ch 3
4	6.3.2024	Lecture 3: Term Sheets	Ch 6
5	7.3.2024	Exercise Set #1 Deadline for selection of negotiation pair	
6	8.3.2024	Lecture 4: Structuring Deals	Ch 7
	11.3.2024	Entrepreneurial Groups: Submission #1	
7	13.3.2024	Lecture 5: Corporate Governance	Ch 8
8	14.3.2024	Exercise Lecture 2: Staged Financing	(Ch 4, Ch 5, Ch 9)
9	15.3.2024	Lecture 6: Debt Financing	Ch 10
	18.3.2024	Investor Groups: Submission #1	
10	20.3.2024	Lecture 7: Exit	Ch 11
11	21.3.2024	Exercise Set #2	
12	22.3.2024	Lecture 8: Venture Capital	Ch 12
13	25.3.2024	Lecture 9: Early Stage Investors	Ch 13
14	27.3.2024	Lecture 10: Ecosystems	Ch 14
15	4.4.2024	Exercise Lecture 3: Investor Protection: Preferred securities & Anti-Dilution protection	(Ch 6, Ch 9)

Session	Date	Topic	Readings
16	10.4.2024	Lecture 11: Negotiation Exercise A All groups: Submission #2	
17	11.4.2024	Lecture 12: Negotiation Exercise B	
18	12.4.2024	Exercise Set #3	

Ethical Rules: See [Aalto University Code of Academic Integrity](#)

Registration: Course registration via Sisu. See the registration time in Sisu. For any registration related matter, please contact the department's planning officer.

The course uses a waitlist and a pre-course assignment that is due on the day preceding the day of the first lecture. To confirm their attendance on the course, the admitted students are required to pass this assignment.

In case of failing to register to the course in time you can show up on the first lecture and enquire for a seat. Please do not send any emails related to course registration between the end of the course registration time and the first lecture.

A maximum of 64 students can be accepted to the course.

The course uses a waitlist and a pre-course assignment that is due at 10.00 AM on the day preceding the day of the first lecture. To confirm their attendance on the course, the admitted students are required to pass this assignment.

- Students at Aalto Finance M.Sc. program (i.e. who have graduated as B.Sc.) will be prioritized when admitting students to the course.

Remaining seats are prioritized as follows:

1. Finance M.Sc. exchange students from other universities
2. Aalto Finance B.Sc. students with a finished B.Sc. thesis (registered in transcript of records)
3. All other M.Sc. students

Please follow carefully the registration deadlines of the courses and exams! Missing registration deadline automatically foregoes a prioritized seat for Finance M.Sc. students and puts prospective students at the bottom of the prioritization list.