

### AFIN309 – Financing start-up ventures

Course Title	Financing start-up ventures			
Course Code	AFIN309			
Course Type	Elective			
Level	BA (Level 1)			
Year / Semester	3 <sup>rd</sup> year			
Teacher's Name	Dr. Nicos Koussis			
ECTS	6	Lectures / week	3	Laboratories/week
Course Purpose	<p>The purpose of the course is provide students with the important vehicles to fund start-up ventures, as well as understanding the difficulties involved in aligning incentives between new investors and the entrepreneur. The course places special emphasis on venture capital financing analyzing its importance for financing new ventures compared to traditional forms such as a bank loan. It then explains the reasons for the suitability of venture capital financing and the contractual or financial designs that are needed for being able to succeed in an environment of high uncertainty and growth potential. The course then takes the view of the entrepreneur in understanding and identifying the various types of real options involved in new ventures, their interactions and the design of proper financial contracts with outside investors to achieve business goals. We place special emphasis on understanding agency conflicts, aligning incentives and dealing with information problems between investors and the entrepreneur. In the last part of the course we focus on alternative finance placing special emphasis on crowdfunding.</p>			
Learning Outcomes	<ol style="list-style-type: none"> <li>1. Identify and explain the reasons venture capital financing is preferred for new venture financing compared to traditional forms</li> <li>2. List the advantages and disadvantages of venture capital financing for the company and investors</li> <li>3. List the contractual and financial characteristics of venture capital investments</li> <li>4. Identify common real options in new ventures and their interactions</li> <li>5. Compare between various financing options provided to venture capital investors and their interaction with real options</li> <li>5. Define setups of modeling and analyzing agency conflicts and information problems and discuss optimal contracts</li> <li>6. Define alternative finance and crowdfunding and explain types, uses and advantages and disadvantages</li> </ol>			

Prerequisites	AFIN101	Corequisites	None
Course Content	<p>Venture capital financing</p> <ul style="list-style-type: none"> <li>- The importance of venture capital finance</li> <li>- Business angels</li> <li>- Institutional venture capital</li> <li>- What drives venture capital financing: a comparison with bank financing</li> <li>- Advantages and disadvantages of venture capital financing</li> <li>- Syndication of investments</li> <li>- Staging investments and contract terms</li> <li>- Measuring performance</li> </ul> <p>Agency conflicts and contract design</p> <ul style="list-style-type: none"> <li>- Sources of conflict between entrepreneur (manager) and investors</li> <li>- Incentive alignment mechanisms</li> <li>- Asymmetric information and truth revealing strategies</li> <li>- Financial securities that mitigate agency conflicts</li> </ul> <p>Real options in new ventures</p> <ul style="list-style-type: none"> <li>- A classification of various types of options</li> <li>- Common real options by industry type</li> <li>- Valuation of real options and option interaction</li> <li>- The option to default and implications for new ventures and financing design</li> <li>- Financial contracts, agency conflicts and real option interactions</li> </ul> <p>Alternative finance</p> <ul style="list-style-type: none"> <li>- Alternative finance definition and types</li> <li>- Crowdfunding types (reward related, equity, software token, litigation, donation based) and their use</li> <li>- Crowdfunding platforms and applications</li> <li>- Benefits and risks of crowdfunding</li> </ul>		
Teaching Methodology	<p>The course is delivered to the students by means of lecturers, conducted with the help of computer presentations and the use of the board. Lecture notes and other course material like spreadsheet examples are available to students through the web.</p>		
Bibliography	<p>(b) Textbooks: Tirole, J. (2005). The Theory of Corporate Finance, Princeton University Press. Casson, M., Yeung, B., Basu, A., Bose, A., &amp; Wadeson, N. (Eds.). (2006). The Oxford handbook of entrepreneurship. Oxford Handbooks.</p>		

	<p>(b) References:</p> <p>Lenos Trigeorgis, Real Options: Managerial Flexibility and Strategy in Resource Allocation, The MIT Press (March 14, 1996)</p>
Assessment	<p><u>(a) Methods:</u> Students will be assessed with course work that involves written and online assignments (quizzes), a midterm and a final test. The course involves both explaining concepts and numerical problems.</p> <p><u>(b) Criteria:</u> Assessment criteria are available in each written assignment, midterm or in the final exam</p> <p><u>(c) Weights:</u></p> <ul style="list-style-type: none"> <li>• Assignments (&amp; online quizzes) 20%</li> <li>• Midterm 20%</li> <li>• Final Exam 60%</li> </ul>
Language	English language