

# IB395-15 Finance in New Ventures

**21/22**

**Department**

Warwick Business School

**Level**

Undergraduate Level 3

**Module leader**

Stuart Fraser

**Credit value**

15

**Module duration**

10 weeks

**Assessment**

Multiple

**Study location**

University of Warwick main campus, Coventry

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## Description

### Introductory description

This is an elective module available for WBS and non-WBS students.

During the module we will look at issues affecting finance markets (debt and equity) for new ventures and small firms. These 'entrepreneurial' firms are typically informationally opaque and therefore find it harder to obtain finance than large firms. We will look at issues affecting the supply of entrepreneurial finance e.g., credit rationing and equity gaps; and issues affecting demand e.g., control aversion and entrepreneurial over-optimism.

There are three key stakeholder groups in entrepreneurial finance: entrepreneurs who want money to fund their ideas; finance providers (banks, angels, and venture capitalists), who want to make money from funding entrepreneurs; and government, which wants good entrepreneurs to receive funding and create jobs. The module therefore views entrepreneurial finance issues from the perspectives of entrepreneurs, finance providers, and government.

[Module web page](#)

### Module aims

Broaden students' understanding of new venture financial markets.

Equip students with skills necessary for both raising finance for and evaluating investment

opportunities in new ventures.

Provide students with a deep analytical understanding of new venture finance theory and practice.

## **Outline syllabus**

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

- Introduction providing an overview of key issues including: the principal causes of financial constraints for new ventures; the role of financial intermediaries; the role of government support (British Business Bank); sources of entrepreneurial finance; the pecking order of entrepreneurial finances.
- The entrepreneurial context for new venture finance: What is an entrepreneur? What makes an entrepreneur?
- Evaluating new ventures for finance: venture capitalist and banker perspectives.
- Theory and evidence of credit rationing in new venture debt markets: Are entrepreneurs financially constrained?
- Developments in lending technologies for new ventures: Has the introduction of credit scoring for small business loans improved access to finance among new ventures? The role of asset finance and asset-based lending (invoice finance) in helping overcome financial constraints.
- Government intervention in new venture financial markets: The rationale for intervention: market failure. Is there a systemic market failure or is it restricted to particular types of business or capital? Examples of public assistance in new venture debt and equity markets (e.g., the Enterprise Finance Guarantee).
- Is there ethnic and/or gender discrimination in entrepreneurial finance markets?
- Developments in crowdfunding and peer-to-peer lending. Have these developments helped democratise entrepreneurial finance?
- Equity finance: Why are venture capital backed start-ups so rare; what are the rare qualities of these start-ups? What do venture capitalists do and how do they add value to their portfolio companies? How do venture capitalists value their portfolio companies?
- Harvesting equity investments.

## **Learning outcomes**

By the end of the module, students should be able to:

- Understand the role and impact of access to finance on the performance of new ventures.
- Appreciate the rise in the importance of entrepreneurial markets and the history of economic thought on entrepreneurship.
- Understanding core economics and financial economics relating to new venture performance.
- Identify the sources of finance available eg loans , the various equity markets and government funding for new enterprise andcritically evaluate these.
- Apply the analysis covered on the course to a number of genuine case studies.
- Ability to recall and select relevant information.
- Analytical and logical reasoning abilities.
- Ability to evaluate information and draw a valid conclusion.

- Ability to understand issues from different perspectives.

## **Indicative reading list**

There is no core (required) text book for this module. References to academic books, case studies, journal articles, policy documents, and articles from the financial press will be provided through lecture notes and seminar reading lists. Links to the texts will also be provided. Examples of texts referred to include:

- Amit, R., J. Brander, and C. Zott (1998). Why do venture capital firms exist? Theory and Canadian evidence. *Journal of Business Venturing*, vol. 13, issue 6, 441–466.
- Bhide, A. (2000). *The origin and evolution of new businesses*. Oxford: Oxford University Press.
- Barnes, S. (2004). The Renovo Story: Venture Capital at the Cutting Edge. *International Journal of Entrepreneurship Education*, vol. 2, issue 3, 379-404.
- Burke and Montgomery (2002). You say you want a revolution? A case study of MP3.com. *International Journal of Entrepreneurship Education*, vol 1, issue 1, 107-132.
- Carter and Jones-Evans (2012). *Enterprise and small business: Principles, practice and policy*, FT Prentice Hall, 3rd ed (Chp 20: Finance and the Small Business by Jarvis and Schizas).
- Fraser, S. (2019). Entrepreneurial Borrowing: Do Entrepreneurs Seek and Receive Enough Credit?, *Foundations and Trends® in Entrepreneurship*, vol. 15, No. 5-6, 431-663.
- Fraser, S., Bhaumik, S.K. and Wright, M., (2015). What do we know about entrepreneurial finance and its relationship with growth? *International Small Business Journal*, vol. 33, issue 1, 70-88.
- Sahlman, W.A., (1997). How to write a great business plan. *Harvard Business Review*, vol. 75, issue 4, 98-109.

## **Subject specific skills**

Analyse and evaluate the theory, evidence and practice relating to new venture financial markets. Demonstrate a deep analytical understanding of how new venture financial markets operate. Compare and consider how firms in the various financial sectors screen and evaluate new ventures for loan applications.

Provide financial screening and evaluation to a case study of a new venture.

Apply these specific knowledge and utilise these specialist skills in a direct and practical manner upon entering any of the new venture financial markets.

## **Transferable skills**

Demonstrate written, mathematical and verbal communication skills.

Utilise and develop numeric and non-numeric skills.

Convey their understanding using an array of these forms of communication.

## **Study**

## **Study time**

<b>Type</b>	<b>Required</b>
Lectures	10 sessions of 2 hours (13%)
Seminars	9 sessions of 1 hour (6%)
Private study	48 hours (32%)
Assessment	73 hours (49%)
Total	150 hours

### **Private study description**

Private Study.

### **Costs**

No further costs have been identified for this module.

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### **Assessment**

You do not need to pass all assessment components to pass the module.

#### **Assessment group D2**

	<b>Weighting</b>	<b>Study time</b>
Class Test	20%	15 hours
Participation (15 CATS)	10%	7 hours
Online Examination	70%	51 hours
~Platforms - AEP		

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- Online examination: No Answerbook required

#### **Assessment group R**

	<b>Weighting</b>	<b>Study time</b>
Individual Assignment	30%	
Online Examination - Resit	70%	
~Platforms - AEP		

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- Online examination: No Answerbook required

## Feedback on assessment

Feedback via My.WBS.

[Past exam papers for IB395](#)

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## Availability

### Courses

This module is Optional for:

- UIBA-MN34 Law and Business Four Year (Qualifying Degree)
  - Year 3 of MN34 Law and Business Studies Four Year (Qualifying Degree)
  - Year 4 of MN34 Law and Business Studies Four Year (Qualifying Degree)
- UECA-4 Undergraduate Economics 4 Year Variants
  - Year 4 of LV16 Economics & Economic History with Study Abroad
  - Year 4 of L114 Industrial Economics with Study in Europe
- Year 3 of UIBA-MN31 Undergraduate Law and Business Studies
- UIBA-MN32 Undergraduate Law and Business Studies
  - Year 3 of MN32 Law and Business Studies (Four-Year)
  - Year 4 of MN32 Law and Business Studies (Four-Year)
- Year 5 of UIBA-MN37 Undergraduate Law and Business Studies (Qualifying Degree) with Intercalated Year
- UIBA-MN35 Undergraduate Law and Business Studies with Intercalated Year (3+1)
  - Year 3 of MN35 Law and Business Studies with Intercalated Year (3+1)
  - Year 4 of MN35 Law and Business Studies with Intercalated Year (3+1)
- Year 5 of UIBA-MN36 Undergraduate Law and Business Studies with Intercalated Year (4+1)
- USTA-G300 Undergraduate Master of Mathematics, Operational Research, Statistics and Economics
  - Year 3 of G300 Mathematics, Operational Research, Statistics and Economics
  - Year 4 of G300 Mathematics, Operational Research, Statistics and Economics
- Year 4 of UECA-GL12 Undergraduate Mathematics and Economics (with Intercalated Year)

This module is Unusual option for:

- UPHA-V7ML Undergraduate Philosophy, Politics and Economics
  - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)
  - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)
  - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)

This module is Option list B for:

- USTA-Y602 Undergraduate Mathematics, Operational Research, Statistics and Economics
  - Year 3 of Y602 Mathematics, Operational Research, Stats, Economics

- Year 3 of Y602 Mathematics, Operational Research, Stats, Economics

This module is Option list G for:

- UPHA-V7ML Undergraduate Philosophy, Politics and Economics
  - Year 2 of V7ML Philosophy, Politics and Economics (Tripartite)
  - Year 2 of V7ML Philosophy, Politics and Economics (Tripartite)
  - Year 2 of V7ML Philosophy, Politics and Economics (Tripartite)