Business Finance

Scope and Objective of Course

Slide Show #1
MB 664
Spring 2014
The subject of business finance necessarily requires focus on being able to successfully raise capital.

We will examine financial concepts from the perspective of a small to medium sized business that combine the use of internal and external funds to acquire the capital necessary to expand an existing business or startup a new business.

We will also spend some time on the decision process used by external sources of funds to evaluate their lending or investing decision.
Both Sides of the Desk

The borrower:
• Financial statement requirements
• Key financial indicators
• Risk appetite and risk dashboards
• Investment decision making under risk
• Cash management
• Line of credit needs
• Enterprise analysis and master budget
• Pro forma financials
• Investment analysis
• Term loan application
Both Sides of the Desk

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**The lender:**
- Bank financial statements
- Regulatory oversight
- Information required from borrowers
- Credit scoring
- Underwriting standards
- Stress testing
- Scorecard decision process
- Loan pricing for risk
- The credit decision
- Loan monitoring
- Portfolio analysis for potential migration.
- Venture capital standards
Macroeconomic Externalities

- Guatemala Financial Market
  - Guatemala Macro Policy
  - Guatemala Real Economy
  - Guatemala Business Sector
- Global Financial Markets
  - Global Macro Policy
  - Global Real Economy
  - Global Business Sector
- International Trade
Macroeconomic Externalities

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- International Trade
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- Global Macro Policy
- Global Real Economy
- Global Business Sector

Relationships:
- Guatemala Financial Market influences Guatemala Real Economy
- Global Financial Markets influences Global Real Economy
- Global Macro Policy influences Global Business Sector
- Guatemala Business Sector influences International Trade
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We will start here on the borrower’s side of the desk. We will begin with a brief overview of selected managerial accounting concepts that tie directly into both borrowing and lending/investing decision.
The class will be divided into teams of borrowers wishing to start up a business in Guatemala. No Whoopie Cookie, Wicked Beer, or other case studies this time. You will develop a plan for a startup business in Guatemala that reflects your marketing, production, financial and management strategies over a 5-year horizon. The resulting baseline scenario will be submitted along with your loan application for a term loan and LOC to my bank.
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I will play the role of a banker sitting behind this desk. Your team will submit you loan application and baseline scenario to me on or before the last Friday we meet. I will use PNB’s underwriting standards, credit scoring rubric and loan pricing policies to evaluate your loan request. I will stress test your loan request and compare the results against PNB’s credit ruler and give you my credit decision on Saturday after each borrower team’s presentation.