Contents

List of Figures		xii
List of Tables		XV
List of Exhibits	Contilie all	xvi
About the Authors		xix
About the Authors		AIA
1. Introduction		1
The Importance of Knowing the Nu	mbers	1
Measuring Success		2
What Is Entrepreneurial Financial N	Janagement?	3
What Makes Entrepreneurial Finance		
Traditional Finance?	o Dillina to	4
What Makes Entrepreneurial Finance	ce Different from	
Traditional Finance?	SHIRETH ISDANOS SIRAMOS SIR	6
Lack of Historical Data to Measi	ure Risk	6
Traditional Financial Concepts of		7
How the Lack of Historical Data an	AND REPORT OF THE PARTY OF THE	
the Practice of Finance in Early-S		9
Using Stakeholder Analysis to Guid		10
Summary	Pred market anning admin	12
Discussion Questions		12
Opportunity for Application	The Luniversactories Researce	12
References	tegastori wolfi dega	12
	I THE PROPERTY OF THE PARTY OF	
BUILDING A FINANCIAL FO	DRECAST	13
2. Setting Financial Guais		15
Waalth mangua Inaama		15
Integrating Nonfinancial Goals into	the Business	18
The Importance of Self-Assessment		20
The Self-Assessment Process	and out getter retoil oviterianus)	23
THE DOLL TROUGHSTITETIC TROUGHS		And to

The Business Model and Business Plant

Vi

The Business Model and Business Plan	24 26
Summary Discussion Questions	26
Opportunity for Application	26
References	26
Appendix 2.1 Individual Entrepreneurial Self-Assessment	27
Appendix 2.2 Partnership and Shareholder Assessment	28
3. Understanding Financial Statements	31
The Accounting Equation	31
An Example	32
Basic Financial Statements	41
Income Statement	43
Balance Sheet	44
Assets	44
Liabilities	47
Owners' Equity	48
Statement of Cash Flows	49
The Limitations of Business Financial Statements	49
Summary	49
Discussion Questions	49
Opportunities for Application	50
4. Revenue Forecasting	52
Common Forecasting Mistakes	52
The Linear Forecast Mistake	52
The Hockey Stick Forecast Mistake	53
The 20/80 versus 80/20 Mistake	53
The Link between the Marketing Plan and Revenue Forecasts	54
Industry and Market Trends	55
Market Research	55
Competitive Analysis	56
Creating Scenarios	57
The Link between the Revenue Forecast and the	
Cash Flow Forecast	58
The Impact of Business Type on Revenues	59
Manufacturing Firms	60
Service Firms	60
Billing by the Hour	61
Billing by the Job	62
Recurring Revenue Firms	62
Commission-Based Selling Firms	65
Cyclical or Seasonal Sales Firms	66
International Sales Firms Ouantitative Forecasting Techniques	66
Quantitative Forecasting Techniques	66

	CONTENTS	vii
	The Importance of Revenue Forecasting	69
	Summary	70
	Discussion Questions	70
	Opportunities for Application	71
5.	Expense Forecasting	73
	Defining Costs	73
	Coat Deharrion	74
	Variable Costs	74
	Fixed Costs	75
	Mired Costs	77
	Breakeven Analysis	78
	Expense Forecasting: The Impact of Rusiness	
	Type on Evnences	79
	Manufacturing Firms	79
	Service Firms	80
	Recurring Revenue Firms	81
	Commission Rased Sales Firms	82
	Cyclical or Seasonal Firms	84
	Internet-Based Firms	84
	Reducing Expenses through Bootstrapping	85
	Summary	85
	Discussion Questions	85
	Opportunities for Application	86
	Reference	87
6.	Integrated Financial Model	88
	The Entrepreneur's Agnirations Reconsidered	88
	Contribution Format Income Statement	89
	Farnings before Interest and Taxes	90
	Inventory of Accumptions	90
	Social Ventures	91
	Determining the Amount of Funds Needed	92
	Using the Forecasting Template to Determine the Amount of Funds Needed	92
	Cash Runway or Time Out of Cash	94
	Assessment of Risk Sensitivity	95
	Integrating Financial Forecasts into Business Plan or	
	Funding Document	96
	Summary	96
	Appendix 6.1 Instructions for Using the Integrated	
	Financial Statements Template	97
	Service Model [for a Business that Sells Services]	98
	Product Model [for a Business that Sells Inventory]	119
	Social Venture Model [for a Nonprofit Business]	129
	Introduct the color of the delegate the same and the same	

viii

7. Monitoring Financial Performance Tracking Assumptions Establishing Milestones Using Numbers to Manage Financial Statement Analysis Ratio Analysis Liquidity Ratios Activity Ratios Profitability Ratios Foliability Ratios Activity Ratios Profitability Ratios Solvency and Coverage Ratios Working with Accountants Summary Sopportunities for Application References 8. Day-to-Day Cash Flow Management and Forecasting Why Is Cash Flow Different from Net Income? Why Is Cash Flow Measured? Interpreting a Statement of Cash Flows: Direct Method Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management The Emotional Side of Cash Flow Management The Diverse Nature of Business Model Trace PART III SOURCES OF FINANCING 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential Financing High-Forowth, High-Potential Ventures 182	MANAGING THE FINANCIAL RESOURCES	7.04
Tracking Assumptions 14 Establishing Milestones 14 Using Numbers to Manage 14 Financial Statement Analysis 14 Ratio Analysis 14' Liquidity Ratios 14' Activity Ratios 15 Profitability Ratios 15 Solvency and Coverage Ratios 15 Working with Accountants 15 Summary 156 Discussion Questions 157 Opportunities for Application 157 References 158 8. Day-to-Day Cash Flow Management and Forecasting 159 Why Is Cash Flow Different from Net Income? 159 Why Is an Accrual-Based Income Statement Important? 160 How Is Cash Flow Measured? 160 Interpreting a Statement of Cash Flows: Direct Method 164 Statement of Cash Flows: Indirect Method 164 Investors' and Creditors' Use of the Cash Flow Statement 167 Effective Cash Management 167 The Emotional Side of Cash Flow Management 171 Summary 172	OF A VENTURE	139
Tracking Assumptions 14 Establishing Milestones 14. Using Numbers to Manage 14. Financial Statement Analysis 14. Ratio Analysis 14. Liquidity Ratios 15. Activity Ratios 15. Profitability Ratios 15. Solvency and Coverage Ratios 15. Working with Accountants 15. Summary 156 Discussion Questions 157 Opportunities for Application 157 References 158 8. Day-to-Day Cash Flow Management and Forecasting 159 Why Is Cash Flow Different from Net Income? 159 Why Is Cash Flow Different from Net Income? 159 Why Is Cash Flow Measured? 160 Interpreting a Statement of Cash Flows: Direct Method 164 Interpreting a Statement of Cash Flows: Direct Method 164 Investors' and Creditors' Use of the Cash Flow Statement 167 Effective Cash Management 167 The Emotional Side of Cash Flow Management 171 Summary <	7. Monitoring Financial Performance	
Using Numbers to Manage Financial Statement Analysis	Tracking Assumptions	
Financial Statement Analysis		14.
Ratio Analysis 14' Liquidity Ratios 14, Activity Ratios 151 Profitability Ratios 151 Solvency and Coverage Ratios 155 Working with Accountants 155 Summary 156 Discussion Questions 157 Opportunities for Application 157 References 158 8. Day-to-Day Cash Flow Management and Forecasting 159 Why Is Cash Flow Different from Net Income? 159 Why Is an Accrual-Based Income Statement Important? 160 How Is Cash Flow Measured? 160 Interpreting a Statement of Cash Flows: Direct Method 164 Investors' and Creditors' Use of the Cash Flow Statement 167 Effective Cash Management 167 Effective Cash Management 177 Summary 172 Discussion Questions 173 Opportunities for Application 173 References 173 PART III Sources Of Financing 175 PART III Sources Of Financing and Entrepreneural Financing 177 The Diverse Nature of Bu	Using Numbers to Manage	14
Liquidity Ratios 14/. Activity Ratios 150 Profitability Ratios 151 Solvency and Coverage Ratios 155 Working with Accountants 155 Summary 156 Discussion Questions 157 Opportunities for Application 157 References 158 8. Day-to-Day Cash Flow Management and Forecasting 159 Why Is Cash Flow Different from Net Income? 159 Why Is an Accrual-Based Income Statement Important? 160 How Is Cash Flow Measured? 160 Interpreting a Statement of Cash Flows: Direct Method 164 Investors' and Creditors' Use of the Cash Flow Statement 167 Effective Cash Management 169 The Emotional Side of Cash Flow Management 171 Summary 172 Discussion Questions 173 Opportunities for Application 173 References 173 PART III SOURCES OF FINANCING 175 9. Financing over the Life of a Venture 177 Common Misconceptions	Financial Statement Analysis	144
Activity Ratios 150 Profitability Ratios 151 Solvency and Coverage Ratios 153 Working with Accountants 155 Summary 156 Discussion Questions 157 Opportunities for Application 157 References 158 8. Day-to-Day Cash Flow Management and Forecasting 159 Why Is Cash Flow Different from Net Income? 159 Why Is an Accrual-Based Income Statement Important? 160 How Is Cash Flow Measured? 160 Interpreting a Statement of Cash Flows: Direct Method 164 Investors' and Creditors' Use of the Cash Flow Statement 167 Effective Cash Management 167 The Emotional Side of Cash Flow Management 171 Summary 172 Discussion Questions 173 Opportunities for Application 173 References 173 PART III SOURCES OF FINANCING 175 9. Financing over the Life of a Venture 177 Common Misconceptions about Entrepreneurial Financing 178 <tr< td=""><td></td><td>14'</td></tr<>		14'
Profitability Ratios Profitability Ratios Solvency and Coverage Ratios Working with Accountants Summary Sizes of Application References Summary Sizes of Application Sizes of Riow Management and Forecasting Why Is Cash Flow Different from Net Income? Sizes of Riow Measured? Sizes of Riow Measured? Sizes of Riow Sizes of Riows: Direct Method Statement of Cash Flows: Direct Method Statement of Cash Flows: Direct Method Sizes of Cash Flow Statement Sizes of Cash Flow Statement Summary Sizes of Cash Flow Management Summary Sizes of Cash Flow Management Sizes of Cash Flow Management Sizes of		14',
Solvency and Coverage Ratios Working with Accountants Summary Discussion Questions Opportunities for Application References 8. Day-to-Day Cash Flow Management and Forecasting Why Is Cash Flow Different from Net Income? Why Is Cash Flow Different from Net Income? Why Is an Accrual-Based Income Statement Important? How Is Cash Flow Measured? Interpreting a Statement of Cash Flows: Direct Method Statement of Cash Flows: Indirect Method Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management The Emotional Side of Cash Flow Management The Emotional Side of Cash Flow Management To Discussion Questions Opportunities for Application References 173 PART III SOURCES OF FINANCING 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential	Activity Ratios	
Working with Accountants Working with Accountants Summary Discussion Questions Opportunities for Application References 8. Day-to-Day Cash Flow Management and Forecasting Why Is Cash Flow Different from Net Income? Why Is an Accrual-Based Income Statement Important? How Is Cash Flow Measured? Interpreting a Statement of Cash Flows: Direct Method Statement of Cash Flows: Indirect Method Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management The Emotional Side of Cash Flow Management The Emotional Side of Cash Flow Management To Discussion Questions Opportunities for Application References 173 PART III SOURCES OF FINANCING 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential	Profitability Ratios	
Summary Discussion Questions Opportunities for Application References 158 8. Day-to-Day Cash Flow Management and Forecasting Why Is Cash Flow Different from Net Income? Why Is an Accrual-Based Income Statement Important? How Is Cash Flow Measured? Interpreting a Statement of Cash Flows: Direct Method Interpreting a Statement of Cash Flows: Direct Method Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management The Emotional Side of Cash Flow Management The Emotional Side of Cash Flow Management Summary Discussion Questions Opportunities for Application References 173 PART III SOURCES OF FINANCING 175 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing 178 The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential	Solvency and Coverage Ratios	
Discussion Questions Opportunities for Application References 157 References 158 8. Day-to-Day Cash Flow Management and Forecasting Why Is Cash Flow Different from Net Income? Why Is an Accrual-Based Income Statement Important? How Is Cash Flow Measured? Interpreting a Statement of Cash Flows: Direct Method Interpreting a Statement of Cash Flows: Direct Method Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management The Emotional Side of Cash Flow Management The Emotional Side of Cash Flow Management Topiccussion Questions Opportunities for Application References 173 PART III SOURCES OF FINANCING 175 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential		
Opportunities for Application References 8. Day-to-Day Cash Flow Management and Forecasting Why Is Cash Flow Different from Net Income? Why Is an Accrual-Based Income Statement Important? How Is Cash Flow Measured? Interpreting a Statement of Cash Flows: Direct Method Interpreting a Statement of Cash Flows: Direct Method Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management The Emotional Side of Cash Flow Management Summary Discussion Questions Opportunities for Application References 173 PART III SOURCES OF FINANCING 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential		
References 8. Day-to-Day Cash Flow Management and Forecasting Why Is Cash Flow Different from Net Income? Why Is an Accrual-Based Income Statement Important? How Is Cash Flow Measured? Interpreting a Statement of Cash Flows: Direct Method Interpreting a Statement of Cash Flows: Direct Method Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management The Emotional Side of Cash Flow Management The Emotional Side of Cash Flow Management The Emotional Side of Cash Flow Management Topic Summary Discussion Questions Opportunities for Application References 173 PART III SOURCES OF FINANCING 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential		
Why Is Cash Flow Different from Net Income? Why Is an Accrual-Based Income Statement Important? How Is Cash Flow Measured? Interpreting a Statement of Cash Flows: Direct Method Interpreting a Statement of Cash Flows: Direct Method Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management If Emotional Side of Cash Flow Management Interpreting a Statement of Cash Flow Statement Effective Cash Management Interpreting Summary	References	
Why Is an Accrual-Based Income Statement Important? How Is Cash Flow Measured? Interpreting a Statement of Cash Flows: Direct Method Statement of Cash Flows: Indirect Method Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management The Emotional Side of Cash Flow Management Summary Discussion Questions Opportunities for Application References PART III SOURCES OF FINANCING Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential	8. Day-to-Day Cash Flow Management and Forecasting	159
How Is Cash Flow Measured? Interpreting a Statement of Cash Flows: Direct Method Statement of Cash Flows: Indirect Method Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management The Emotional Side of Cash Flow Management Summary Discussion Questions Opportunities for Application References PART III SOURCES OF FINANCING 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential	Why Is Cash Flow Different from Net Income?	159
Interpreting a Statement of Cash Flows: Direct Method Statement of Cash Flows: Indirect Method Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management The Emotional Side of Cash Flow Management The Emotional Side of Cash Flow Management Summary Discussion Questions Opportunities for Application References 173 PART III SOURCES OF FINANCING 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential		. 160
Statement of Cash Flows: Indirect Method Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management The Emotional Side of Cash Flow Management Interpretation Summary Discussion Questions Opportunities for Application References Interpretation Interpret		
Investors' and Creditors' Use of the Cash Flow Statement Effective Cash Management The Emotional Side of Cash Flow Management Summary Discussion Questions Opportunities for Application References 173 PART III SOURCES OF FINANCING Pinancing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential		
Effective Cash Management The Emotional Side of Cash Flow Management Summary Discussion Questions Opportunities for Application References PART III SOURCES OF FINANCING 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential		
The Emotional Side of Cash Flow Management Summary Discussion Questions Opportunities for Application References 173 PART III SOURCES OF FINANCING 175 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing 176 The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential		
Summary Discussion Questions Opportunities for Application References 173 PART III SOURCES OF FINANCING 175 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing 177 The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential 181		171
Discussion Questions Opportunities for Application References 173 PART III SOURCES OF FINANCING 175 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing 178 The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential 181		172
Opportunities for Application References 173 PART III SOURCES OF FINANCING 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential	Discussion Onestions	
PART III SOURCES OF FINANCING 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential	Opportunities for Application	173
PART III SOURCES OF FINANCING 9. Financing over the Life of a Venture Common Misconceptions about Entrepreneurial Financing The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential	References	173
SOURCES OF FINANCING1759. Financing over the Life of a Venture177Common Misconceptions about Entrepreneurial Financing177The Diverse Nature of Business Financing178The Nature of the Business Model178Aspirations of the Entrepreneur179The Stage of Development of the Business Venture180Fitting the Pieces of the Financing Puzzle Together180Financing Small Businesses with Modest Growth Potential181		
9. Financing over the Life of a Venture177Common Misconceptions about Entrepreneurial Financing177The Diverse Nature of Business Financing178The Nature of the Business Model178Aspirations of the Entrepreneur179The Stage of Development of the Business Venture180Fitting the Pieces of the Financing Puzzle Together180Financing Small Businesses with Modest Growth Potential181		175
Common Misconceptions about Entrepreneurial Financing177The Diverse Nature of Business Financing178The Nature of the Business Model178Aspirations of the Entrepreneur179The Stage of Development of the Business Venture180Fitting the Pieces of the Financing Puzzle Together180Financing Small Businesses with Modest Growth Potential181		
The Diverse Nature of Business Financing The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential 178 178 178 178 179 180 181	9. Financing over the Life of a Venture	177
The Nature of the Business Model Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential 178 189 181		
Aspirations of the Entrepreneur The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential 179 180 181		
The Stage of Development of the Business Venture Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential 180 181		
Fitting the Pieces of the Financing Puzzle Together Financing Small Businesses with Modest Growth Potential 180		
Financing Small Businesses with Modest Growth Potential 181		

	CONTENTS	ix
S	Summary	184
	Discussion Questions	184
	Opportunities for Application	184
	References	185
10. S	Start-Up Financing from the Entrepreneur, Friends, and Family	186
S	Self-Financing	187
	Advantages and Disadvantages of Self-Financing	188
	Friends and Family Financing	191
	Determine True Motivations	192
	Use a Formal Business Plan	193
	Provide Accurate, Objective, and Full Information about the Business	193
	Keep Boundaries	194
	Tax Planning	194
S	Structure of Funds Invested	195
_	Summary	196
	Discussion Questions	196
	Opportunities for Application	197
	References	197
11. I	Bootstrapping	198
	Why Bootstrap?	198
	Bootstrapping Administrative Overhead	201
		202
	Space Furnishings and Office Equipment	203
	Administrative Salaries	203
Ţ	Bootstrapping Employee Expenses	203
1	Independent Contractors	204
	Fractional and Temporary Employees	204
	C_{i} 1 i T_{i}	205
		205
	Equity Compensation Nonmonetary Benefits	205
Ţ	Bootstrapping Operating Expenses	206
	Bootstrap Marketing Bootstrap Marketing	207
	The Basic Bootstrap Marketing Tools	208
	Word of Mouth	209
	Business Cards	210
	Blogs	211
		212
		212
		212
		213
,	Publicity The Ethics of Bootstranning	213
	The Ethics of Bootstrapping	214
	Summary Discussion Operations	214
	Discussion Questions Opportunities for Application	214
	Opportunities for Application References	214

CONTENTS

12. External Sources of Funds: Equity		21
Accredited Investors		21
Angel Investors		218
Strategic Partners		223
Private Placement		22:
Private Equity		220
Crowdfunding		22
		228
The Downside of Equity Financing		229
		230
Business Model and Business Plan		230
Confidentiality Agreement		23
Letter of Intent		23
Modifications of Shareholder Agreeme	ents	232
	Missing American Company	232
Summary		232
Discussion Questions		232
Opportunities for Application		233
References		233
13. External Sources of Funds: Debt		234
Short-Term Debt		234
Trade Credit		23
Institutional Creditors		230
Banks		23
Asset-Based Lenders		239
Factors		240
		242
		242
Leasing Companies		243
Real Estate Lenders		243
Government Funding through SBA		243
	S contracted unique to the	245
Initial Contact with Bankers		248
Preparation of Key Loan Documents		248
Loan Proposal		248
Loan Document		249
Personal Guarantees		249
Ongoing Communication after the Loan	Is Made	249
Other Sources of Debt Financing for Ent		250
The Downside of Debt	and the state of the state of	25
Developing a Financing Plan		252
		253
Discussion Questions		253
Opportunities for Application		254
References		254

xi

14.	Financing the High-Growth Business	255
	Integrating Profitability into the Business Plan	256
	Stages of the Firm	258
	Stages of Business Funding	260
	The Dark Side of Venture Capital Financing	261
	Initial Contact with a Venture Capitalist	262
	Initial Public Offering	264
	Advantages of an IPO	264
	Disadvantages of an IPO	265
	The Process of the IPO	266
	Step 1 Selecting an Investment Banking Firm	266
	Step 2 Deciding Whether to Underwrite	267
	Step 3 Getting the Paperwork in Order and Certifying	268
	The Price of the Offering	268
	Step 4 Presenting the Road Show	269
	Step 5 Determining the Size of the Book	269
	Step 6 The First Day of Trading	270
	Private Equity	270
	Summary Discussion Ouestions	270
	Discussion Questions	270 271
	Opportunities for Application	271
	References	2/1
DA		
	ART IV	072
PL	ANNING FOR THE ENTREPRENEUR'S TRANSITION	273
15.	Business Valuation	275
	General Concepts that Guide the Determination of Value	275
	Fair Market Value	275
	Going-Concern Value	277
	Highest and Best Use	277
	Future Benefits	277
	Substitute and Alternatives	278
	Discounted Cash Flow Analysis	278
	Objectivity	279
	Basic Information Required for a Valuation	280
	Discounted Cash Flow	282
	Effect on the Balance Sheet of the New Owners (Goodwill)	287
	Definition of Free Cash Flow	287
	Estimating Free Cash Flow for a Particular Year	288
	Estimating Free Cash Flow over a Six-Year Period	288
	Valuation Analysis When Equity Is Not the Only Funding Source	294
	Summary of the Discounted Cash Flow Approach	295
	Market Comparison Techniques	296
	Summary of the Market Comparison Approach	299

XII

	Summary Discussion Questions Opportunities for Application References	300 300 301 302
16.	Exit Planning	303
	A Model of Exit Planning	303
	Self-Assessment Revisited and Setting a Time Frame	303
	Manage Financial Statements	306
	Strengthen Systems and Processes	307
	Develop a Business Plan for the Sale of the Business	308
	Exit Options	308
	Ownership Transfer	310
	Partial or Transitional Transfer	311
	Bankruptcy or Planned Termination of Operations	313
	The Process of Selling a Business	314
	The Ethical Side of the Entrepreneur's Transition	315
	Post-Exit Issues	316
	Summary	317
	Discussion Questions	317
	Opportunities for Application	317
	References	318
	Index	319

研究性情能性與影響。2 特别是多種與母母與性的是 美洲军 對電車 电影片 的

A CONTRACTOR OF THE BUSINESS OF WORLD IN MARKET THE STATE OF THE STATE