

Course Outline

Course number	RBE264				
Course title	Knowledge-based capital and fundamentals of venture capital industry				
Credit points	3 ECTS (2 CP)				
Total hours	30				
Lecture hours	15				
Seminar and other hours	15				
Course level	Bachelor				
Prerequisites	None				
Category	Mandatory		Restricted elective	X	Free elective

COURSE RESPONSIBLE

<i>Name</i>	<i>Academic degree</i>	<i>Academic position</i>
Sergejs Jakimovs	MA Pol. Sc, LL.M Law&Finance	Visiting Lecturer

COURSE ABSTRACT

The course provides an introductory insight into the legal, financial and organisational aspects of the venture capital industry. The students get introduced to the concepts of intellectual property and its market value, raising capital, investment funds, specific traits of venture capital-backed businesses, as well as means of intellectual property protection. It attempts to explain the rationale behind modern company valuations (why are some ventures valued in billions without generating any cash anyway?), venture capital investment into early stage/start-up businesses and emphasizes the modern shift towards viewing intellectual property assets as the major drivers for a company's value.

The course is focused on offering practical knowledge on VC and, while not differentiating between seminars and lectures, rests on and urges active student participation during throughout all sessions.

COURSE OBJECTIVES

After completing the course, the students are expected to:

- 1) Understand the rationale behind venture capital-backed companies
- 2) Differentiate between types of capital being invested
- 3) Be able to independently assess cases and development stages of venture-backed companies
- 4) Possess a basic understanding of valuation concepts
- 5) Differentiate between types of intellectual property assets and their effect on a company's investment attractiveness

GRADING CRITERIA

Criteria	Weighting
In-class participation	10%
Course paper	50%
In-class presentation	40%

COURSE PLAN – MAIN SUBJECTS

No.	Main subjects	Planned hours
1	Introduction into history of private equity and logic behind venture capital industry	7
2	Intro into knowledge-based/IP assets and their value	7
3	Life-cycle and priorities of a VC-backed business	6
4	Inside the of a company being invested – how is the deal structured?	5
5	Introduction into valuations	5

COURSE PLAN – SESSIONS

Session	Session subjects and readings	Lecture/seminar
1	<p>Intro into concepts of VC, serial entrepreneurship and private equity</p> <p>Read: Financing Innovative firms through venture capital, pages 1-14, available at: http://www.bei.org/attachments/pj/vencap.pdf</p> <p>See: https://medium.com/@neildevani/a-super-fast-overview-and-history-of-tech-vc-9dd159e712fb</p> <p>See: https://salon.thefamily.co/a-brief-history-of-the-world-of-venture-capital-65a8610e7dc2 - actually highly recommended</p>	L/S
2	<p>Types and sources of capital</p> <p>Read: Sources of Financing: Debt and Equity, online at: http://www.usheproduction.com/design/8020/downloads/4a.pdf, pages 466-476</p>	L/S
3	<p>Logic, structure and behaviour of venture capital funds</p> <p>See: https://medium.com/@mvernal/sequoia-and-seed-investing-3b1acbf68249</p> <p>See: Marija Simic, "INVESTMENT CRITERIA SET BY VENTURE CAPITALISTS", online at: https://hrcak.srce.hr/file/221353</p>	L/S
4	<p>VC investment landscape, pipeline and regulation</p> <p>REGULATION (EU) No 345/2013 on Venture capital funds (available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:115:0001:0017:EN:PDF)</p>	L/S
5	<p>Steps of raising VC money</p>	L/S

Session	Session subjects and readings	Lecture/seminar
	See: Marija Simic, "INVESTMENT CRITERIA SET BY VENTURE CAPITALISTS", online at: https://hrcak.srce.hr/file/221353	
6	Intro into IP/KBC and its growing significance <ol style="list-style-type: none"> 1) See: What is intellectual property by WIPO? http://www.wipo.int/edocs/pubdocs/en/intproperty/450/wipo_pub_450.pdf 2) Launching a new product: Freedom to operate, via: WIPO, online at: http://www.wipo.int/wipo_magazine/en/2005/05/article_0006.html 	L/S
7	Venture capital and KBC – why is it a big deal? <ol style="list-style-type: none"> 1) Joel W. Morhman, "Capitalizing on Intellectual Property. An Introduction to Licensing", in: <i>The Brief</i>, (Winter 2009), available on: HeinOnline 2) George A. Akerlof, "The Market for "Lemons": Quality Uncertainty and the Market Mechanism", in: <i>The Quarterly Journal of Economics</i>, Vol 84. No. 3, August 1970, available on: JSTOR <p>IF WILLING/ABLE, see: Hirschman in the reading list</p>	L/S
8	IP-related risks and challenges. See readings on Lecture 7	L/S
9	Types and patterns of IP ownership See: https://medium.com/@scifantasy/ip-rimer-a-basic-explanation-of-intellectual-property-9be6f0ce6711	L/S
10	Science behind running a venture-backed company <ol style="list-style-type: none"> 1) See: https://medium.com/s/understanding-venture-capital/if-you-take-venture-capital-youre-forcing-your-company-to-exit-fc08fcdb32cc 2) See: https://medium.com/s/understanding-venture-capital/unicorns-distract-us-from-a-graveyard-15317a59aa6f 	L/S
11	Why valuations matter and how do they come about? See: https://medium.com/ffvc-pov/breaking-down-the-importance-of-early-stage-startup-revenue-projections-8bb91787185 See: https://medium.com/the-mission/what-founders-need-to-know-you-were-funded-for-a-liquidity-event-start-looking-d55b358d91fc EU Accounting Rule 6: Intangible Assets, available on: ec.europa.eu, online at: http://ec.europa.eu/budget/library/biblio/documents/management/accountingframework/EU%20Accounting%20Rule%206.pdf International Accounting Standard 38, Intangible Assets, available on: ex.europa.eu, online at: http://ec.europa.eu/internal_market/accounting/docs/consolidated/ias38_en.pdf	L/S

Session	Session subjects and readings	Lecture/seminar
	Wagdy M. Abdallah and Athar Murtuza, "Transfer Pricing Strategies of Intangible Assets, E-Commerce and International Taxation of Multinationals", in: <i>International Tax Journal</i> , Spring 2006, available on: HeinOnline	
12	Why valuations matter and how do they come about? – PART 2 See previous literature on lecture 11.	L/S
13	How do you structure a deal? See: https://medium.com/@ForwardPrt/our-pre-seed-termsheet-5f794bc12e62 See: supporting agreements via Portal	L/S
14	Founder's risks, tips and tricks of running a VC backed business	L/S
15	In-class presentations	S

In all cases, please consult lecture slides and MAIL ME IF ANYTHING NEEDS BETTER EXPLANATION

COURSE LITERATURE

Author, title, publisher	
1	IP Based Financing of Innovative Firms, in: <i>Enquiries Into Intellectual Property's Economic Impact</i> , 2015, available on: OECD, online at: https://www.oecd.org/sti/ieconomy/Chapter9-KBC2-IP.pdf
2	Richard A. Epstein, Omri Ben-Shahar and Jonathan S. Masur, "The Licensing of Intellectual Property", in: <i>The University of Chicago Law Review</i> , Vol. 78, No. 1 (Winter 2011), available on: JSTOR
3	Albert O. Hirschman and Michael Rothschild, "The Changing Tolerance for Income Inequality in the Course of Economic Development", in: <i>The Quarterly Journal of Economics</i> , Vol. 87, No. 4 (Nov., 1973), pp. 544-566
4	WIPO Intellectual property handbook, see: http://apps.who.int/medicinedocs/documents/s21421en/s21421en.pdf