

**Northwestern University  
Farley Center for Entrepreneurship and Innovation  
McCormick School of Engineering  
Industrial Engineering and Management Sciences**

**COURSE:**           **Startup Accounting and Finance (ENTREP 330)**

**MATERIALS:**   **Xero Accounting Software (Information to Come)**

Case Study: **Droned Logistics**

Harvard Business School Case Studies: <https://hbsp.harvard.edu/import/573172>

**Garden Spot: Year One and Year Two (Midterm Project)**

**Introduction to Financial Ratios and Financial Statement Analysis**

**TIME:**           6:00pm- 9:00pm  
First Class: 10/2/2018  
Last Class: 12/4/2018  
Final Presentation: 12/4/2018

**LOCATION:**       Ford Eng Design Center ITW 1350

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**OFFICE HOURS:** By appointment

**COURSE OVERVIEW:**

The startup ecosystem is synonymous with computer science, engineering and other tech focused educational backgrounds. However, at the heart of every successful startup is a certain level of financial literacy needed by founders to guide and navigate the startup from simply an idea to (hopefully) a lucrative exit. Without a firm grasp on accounting, many founders fail to see their startup reach its full potential, or fail outright.

The goal of this course is to lay the foundation for what a founder needs to know to successfully launch and scale a startup, taught from the accountant's perspective. You'll learn not only what exactly accounting is, but how it applies to startups specifically. In addition, we will teach the basics that will enable you to manage your accounting operations during the infancy of a startup's lifecycle. Further, we will provide founders with a level of understanding that equips them to make actionable, strategic decisions from accurate and insightful accounting.

## **COURSE SYLLABUS:**

As practitioners, we are not immune to the notion that accounting can sometimes be inherently boring. It is not our goal to bore you, nor is it to read hours upon hours of the tax code to you. Our approach will be very hands on, and will provide real world application of the concepts taught.

The first component of the class will introduce the basics of accounting, while applying the lessons learned to a fictitious company in the form of a case study. The company will follow a time based narrative, where you're required to "account" for everything related to the company's business activities. You'll learn how to create budgets and forecasts, construct and interpret financial statements, and understand and take action on the necessary compliance requirements for the company. Further, you'll be getting hands on experience implementing and utilizing an accounting software platform, and you'll ultimately learn how to be your own accountant!

The final part of the course will be working on a startup created by your peers, where you'll ultimately be working on building out their back office accounting function. You'll set up the chart of accounts, classify transactions, generate financial statements, interpret financial statements, create budgets & forecasts and financial dashboards, as well as investigate and communicate the specific tax compliance related requirements for a real- life startup. Your end project will involve preparing for a pitch to venture capitalists, focusing predominantly on financial data. Are you up for the challenge?!

## GRADING:

1. Class Participation: 20%
2. Homework and Practical Exercises: 30% (Individual Grade. May drop lowest score.)
3. Midterm Exam: 20% (Individual Grade)
4. Midterm Group Project: 10% (Team Grade)
5. Final Pitch (Presentation): 20% (Team Grade)

## CLASS SCHEDULE:

Week	Date	Topic(s)	Learning Objective(s)
1	October 2, 2018	<ol style="list-style-type: none"><li>1. Accounting 101<ol style="list-style-type: none"><li>a. What is accounting?</li><li>b. Double Entry</li><li>c. Chart of Accounts</li><li>d. Assets</li><li>e. Liabilities</li><li>f. Equity</li></ol></li></ol>	Upon completion of this lesson, students should leave with a basic understanding of the mechanics of double entry accounting. In addition, students should be able identify different transaction types as being an asset, liability or equity account.
2	October 9, 2018	<ol style="list-style-type: none"><li>1. Accounting 101 (Cont.)<ol style="list-style-type: none"><li>a. Cash vs Accrual</li><li>b. Financial Statements</li><li>c. Impact of Entity Type</li><li>d. Accounting Software</li></ol></li></ol>	Upon completion of this lesson, students should leave with an understanding of cash vs. accrual accounting, both mechanically and the underlying financial statement impact. In addition, students should be able to construct, analyze and interpret the three basic financial statements. Further, they should be able to understand the different accounting/tax impacts of different entity types. Finally, students should understand the purpose of accounting software and its role in managing accounting at startups.

3	October 16, 2018	<ol style="list-style-type: none"> <li>1. Accounting 101 (Cont.) <ol style="list-style-type: none"> <li>a. Inventory Accounting</li> <li>b. Cost Accounting</li> <li>c. Pricing</li> </ol> </li> </ol>	<p>Upon completion of this lesson, students will understand how to account for inventory using different valuation metrics and understand the impact of those methods on the financial statements. Students will also gain an understanding of core cost accounting concepts and how to use them to manage a business and understand the differences between cost and financial accounting.</p>
4	October 23, 2018	<ol style="list-style-type: none"> <li>1. Accounting 101 (Cont.) <ol style="list-style-type: none"> <li>a. Compliance</li> <li>b. Budgets &amp; Forecasts</li> <li>c. Financing (Capital)</li> </ol> </li> </ol>	<p>Upon completion of this lesson, students should leave with an understanding of the compliance requirements inherent in the startup ecosystem. In addition, they should be able to construct a budget and forecast, understand how to implement a pricing strategy for a hypothetical business. Finally, they should understand their capital requirements and the various avenues available to receive financing.</p>
5	October 30, 2018	<ol style="list-style-type: none"> <li>2. Growth &amp; Scale <ol style="list-style-type: none"> <li>a. Bookkeeping</li> <li>b. Reconciliations</li> <li>c. Payroll</li> </ol> </li> </ol>	<p>Upon completion of this lesson, students should be able to set up the books (chart of accounts) for a hypothetical company). In addition, they should understand how to classify transactions in accordance with bookkeeping best practices. They should also be able to perform monthly reconciliations and close procedures to confirm maximum accuracy. Finally, students should also understand the distinction and requirements associated with paying employees and contractors.</p>
6	November 6, 2018	<ol style="list-style-type: none"> <li>2. Growth &amp; Scale (Cont) <ol style="list-style-type: none"> <li>a. Cash Flow Management</li> <li>b. Financial Analysis</li> <li>c. KPIs, Ratios and Metrics</li> </ol> </li> </ol>	<p>Upon completion of this lesson, students should be able to understand the importance of cash flow management, internal controls, financial reporting at regular intervals, and additional financial analysis. In addition, they should be able to identify appropriate metrics to track for different businesses, and why they matter.</p>

7	November 13, 2018	<ul style="list-style-type: none"> <li>2. Growth &amp; Scale (Cont) <ul style="list-style-type: none"> <li>a. Taxes &amp; Compliance</li> </ul> </li> </ul>	Upon completion of this lesson, students should understanding the various tax compliance issues facing startups, how to understand and read annual tax returns, understand sales tax compliance, and understand how nexus creates tax obligations at the state level.
8	November 20, 2018	<b>MIDTERM EXAM</b>	<b>MIDTERM EXAM</b>
9	November 27, 2018	<ul style="list-style-type: none"> <li>3. Client Practical Exercises <ul style="list-style-type: none"> <li>a. Finance</li> <li>b. Venture Capital</li> <li>c. Capital</li> <li>d. Pricing Strategy</li> </ul> </li> </ul>	Upon completion of this lesson, students will be able to prepare and analyze financial reports for company review, be able to articulate the company's pricing strategy and create forecasts for a hypothetical capital raise
10	December 4, 2018	<ul style="list-style-type: none"> <li>3. Investor Meetings <ul style="list-style-type: none"> <li>a. Preparation of financial statements</li> <li>b. Interpretation of financial statements</li> <li>c. Budget &amp; Forecast analysis</li> <li>d. Storytelling with financials</li> <li>e. Pitch</li> </ul> </li> </ul>	Upon completion of this lesson, students will understand how to discuss and present their company to an outside group. They will be able to create basic financial statements and reports for presentation and be able to articulate how they came to their results and what those results mean as to demonstrate their knowledge of the accounting work that they have completed.