ENTREPRENEURIAL FINANCE

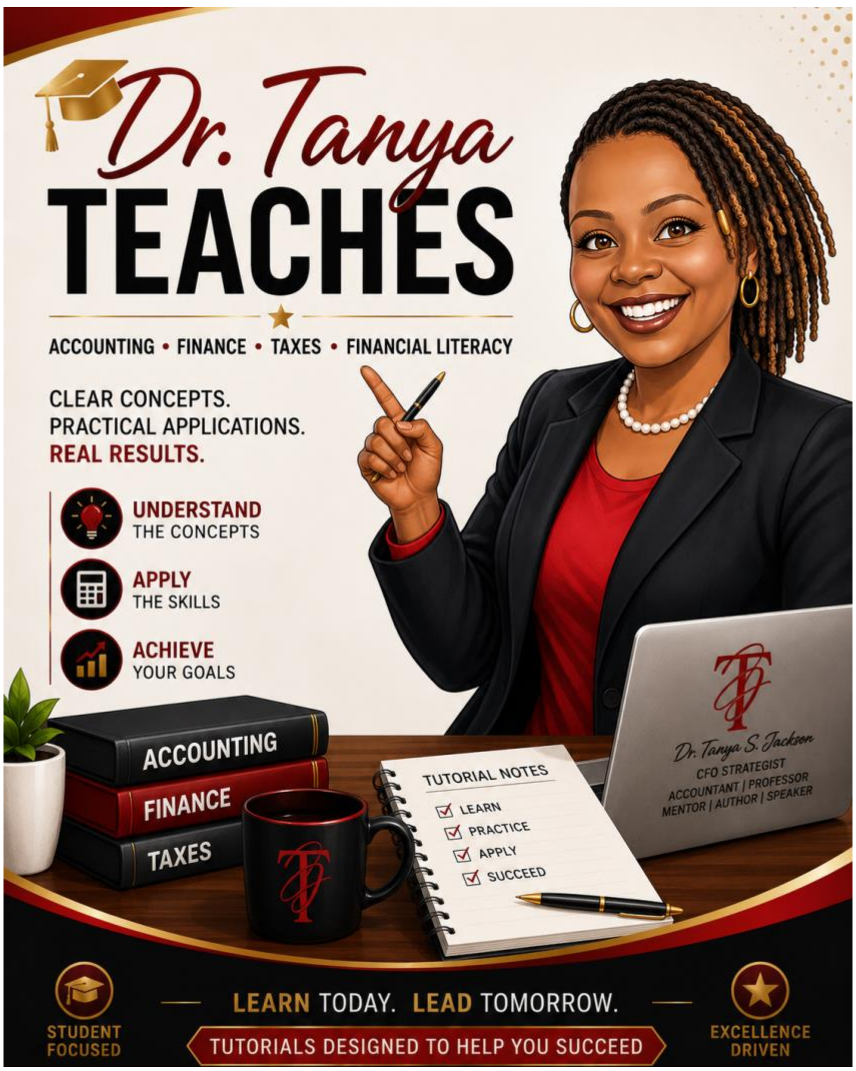
WEEK 4 | FINANCING STRATEGIES FOR SMALL BUSINESSES

Guided Instruction Packet

Learn how to evaluate financing options and choose a funding strategy that fits the business.

GUIDED INSTRUCTION PURPOSE
This packet supplements the Intuit for Education Entrepreneurial Finance course. Use it to connect Week 4 financing concepts to practical business decisions, compare bootstrapping, crowdfunding, debt, and equity, evaluate funding tradeoffs, and prepare for live guided instruction.

Name: ____ Date: ____________________



How to Use This Packet

Complete the assigned Intuit classroom activities first or alongside this packet. Then use the explanations, examples, checkpoints, and business-owner applications here to deepen your understanding. Bring your questions and completed notes to the live guided instruction session.

Week 4 Learning Objectives

- Describe the advantages and disadvantages of bootstrapping to start a business.
- Compare and contrast debt versus equity financing to raise money.
- Negotiate terms of business funding from the perspective of both an investor and an entrepreneur.

Week 4 Roadmap

STEP	WEEK 4 ROADMAP
1	Understand Financing Strategies
2	Evaluate Bootstrapping and Crowdfunding
3	Compare Debt and Equity Financing
4	Evaluate Funding Terms and Tradeoffs
5	Assess Affordability, Control, and Risk
6	Build My Financing Strategy

Think Like an Entrepreneur

Funding is not simply about finding money. An entrepreneur must decide which source of capital best fits the business, its cash flow, ownership goals, risk tolerance, and long-term strategy.

1. Understand Financing Strategies

Businesses need capital to start, operate, and grow. Financing strategy is the plan for obtaining the money or resources needed while considering cost, repayment obligations, ownership, control, risk, and the business's ability to support the commitment. Common approaches include bootstrapping, crowdfunding, debt, equity, or a combination of sources.

FINANCING HELPS AN OWNER	OWNER QUESTION
Start or launch	What resources are needed to begin operating?
Fund growth or investment	What capital is needed to pursue the opportunity?
Preserve operating cash	How can the business fund the need without weakening day-to-day cash flow?

Checkpoint 1

Why should an entrepreneur evaluate more than whether funding is available?

Answer:

2. Evaluate Bootstrapping and Crowdfunding

Bootstrapping means using the owner's own resources or internally generated business resources rather than relying primarily on outside lenders or investors. Crowdfunding seeks relatively small contributions or investments from a larger group of people. Each approach can reduce reliance on traditional financing, but each also creates different constraints and expectations.

OPTION	POTENTIAL ADVANTAGE	POTENTIAL TRADEOFF
Bootstrapping	Retains ownership and avoids required lender payments	May strain personal or business cash and limit growth capacity
Crowdfunding	Can raise funds while testing market interest	Requires a compelling campaign and may involve platform, reward, or investor obligations
Combination	Can spread funding needs across more than one source	Adds complexity and requires careful coordination of obligations

Checkpoint 2

If an owner can bootstrap the entire amount, why might using all available cash still be a poor financing decision?

Answer:

3. Compare Debt and Equity Financing

Debt financing provides capital that the business is expected to repay under agreed terms. Equity financing provides capital in exchange for an ownership interest. The central tradeoff is different: debt creates a financial cost and repayment obligation, while equity creates an ownership and control cost.

Debt: repay principal plus financing cost. Equity: exchange ownership for capital.

Guided Example: Funding a $20,000 Business Investment

A business needs $20,000 to fund an investment. Compare the implications of borrowing the funds versus accepting an equity investor.

OPTION	CAPITAL RECEIVED	OWNER OBLIGATION	PRIMARY TRADEOFF
Debt	$20,000	Repay principal plus interest under agreed terms	Cash-flow obligation
Equity	$20,000	Provide agreed ownership interest and rights	Ownership/control

Neither option is automatically better. The owner must compare the business's ability to support payments with the value and long-term cost of giving up ownership or control.

Think Like an Entrepreneur

Approval does not equal affordability. Before accepting debt, evaluate whether expected cash flow can support the payment. Before accepting equity, evaluate the percentage of ownership, decision rights, investor expectations, and the long-term value being exchanged.

4. Evaluate Funding Terms and Tradeoffs

The source of capital matters, but the terms can be just as important. Entrepreneurs should identify what the funder receives, what the business must provide, and what happens if performance differs from expectations. Negotiation should be evaluated from both the entrepreneur and investor or lender perspective.

FACTOR	DEBT QUESTION	EQUITY QUESTION	OWNER CONCERN
Cost	What rate and fees apply?	What ownership percentage is requested?	What is the total economic cost?
Cash flow	What payment is required and when?	Are distributions or future funding expected?	Can the business support the commitment?
Control	What covenants or restrictions apply?	What voting or decision rights are requested?	How much flexibility or control changes?

A financing offer that provides the full amount requested can still be unattractive if the repayment terms, ownership percentage, control rights, or other conditions create excessive risk.

Checkpoint 3

Identify two financing terms you would want to understand before accepting outside capital.

Answer:

5. Assess Affordability, Control, and Risk

DECISION FACTOR	QUESTION TO ASK
Affordability	Can the business support the required payment or commitment?
Cash preservation	How much operating cash will remain after using owner or business funds?
Ownership and control	What rights or percentage of the business will be given up?
Risk	What happens if revenue or expected returns fall short?
Long-term fit	Does this financing source support the business's future needs and goals?

Think Like an Entrepreneur

The best source of capital is not necessarily the easiest money to obtain. Match the financing strategy to the business need while preserving enough cash, control, and flexibility to operate and grow.

6. Build My Financing Strategy

Use your own business, planned business, or hypothetical business. Estimates are acceptable when actual data are not yet available, but identify assumptions clearly and revise them as better information becomes available.

What am I funding?

Estimated amount needed:

Why is funding necessary?

Business problem it should solve:

Is this related to my Week 3 investment decision?

Available business resources:

Personal contribution I could reasonably make:

Could I bootstrap fully, partially, or not at all? Explain:

Resources remaining after bootstrapping:

Preferred option: Bootstrapping / Debt / Equity / Crowdfunding / Combination

---

If debt: estimated rate, payment, and term:

Can the business support the debt payment? Why?

If equity: ownership percentage requested and value the investor provides beyond money:

My Financing Strategy Decision

□ BOOTSTRAP □ DEBT □ EQUITY □ CROWDFUND □ COMBINATION

Explain why this strategy best fits the business:

Knowledge Check

1. What is one advantage and one disadvantage of bootstrapping a business?

Response:

2. What is the primary financial obligation created by debt financing?

Response:

3. Why can equity financing be expensive even though it does not require a traditional loan payment?

Response:

4. A lender approves a business for financing. Why does approval not automatically mean the debt is affordable?

Response:

5. Identify one factor, other than the amount of money offered, that should be negotiated or evaluated before accepting funding.

Response:

Prepare for Live Guided Instruction

□ Complete the assigned Week 4 Intuit activities.

□ Bring the business need or investment you are considering funding and your estimated amount needed.

□ Be prepared to explain the tradeoff between debt cost and equity ownership/control cost.

□ Identify the financing option you currently prefer and one assumption you still need to verify.

Professional Takeaway

Financing decisions affect more than access to cash. Financially strategic entrepreneurs compare affordability, interest and repayment obligations, ownership, control, risk, and long-term business needs before accepting capital.

Dr. Tanya Challenge

- If you can bootstrap an investment, should you use all available cash? What would you evaluate first?
- When could giving up a percentage of ownership be more attractive than taking on debt?
- What would cause you to reconsider your preferred financing strategy?

Week 4 | One-Page Memory Guide

Use this page for a quick review before the live session or before moving into Week 5.

REMEMBER	MEANING	OWNER QUESTION
Bootstrapping	Use owner or internally generated resources	Can I fund this without weakening operations?
Crowdfunding	Raise funds from a larger group of contributors or investors	What obligations or expectations come with the campaign?
Debt	Borrowed capital that must be repaid under agreed terms	Can cash flow support the payment and financing cost?
Equity	Capital exchanged for an ownership interest	How much ownership and control am I willing to give up?
Affordability	Ability to support the financing commitment	Can the business carry this obligation under realistic conditions?
Control	Decision rights and ownership influence	How will this financing change who controls business decisions?
Risk	Possibility that financing creates financial or strategic strain	What happens if expected performance falls short?
Professional Judgment	Financing choice evaluated in business context	Which source best fits the need, cash flow, risk, and long-term goals?

My Week 4 Notes

Keep learning. Keep practicing. Keep growing.