



Entrepreneurship Lecture 10 Entrepreneurial Finance

Lecturer: Jonathan Lampatar Siregar

Entrepreneurial Finance

Financial Decision

“WISE”
“CORRECT”
“PROFIT”





COMPETITIVE ENVIRONMENT

Government regulation, scarcity of
resources, and competition

(Kuratko, 2017)

A Managerial Planning Tool

Financial planning, budget, financial information, and decide a well financial decision.

(Kuratko, 2017)



ACCOUNTING SYSTEM

1. Accrual System
2. Cash Basis

(Kuratko, 2017)

1. Accrual System

Recording method and allocating income and costs for the later period.

Example: You were paid \$10,000 in April for goods you sold in March, the \$10,000 would be income for March under an accrual system.

2. Cash Basis

A method accounting which revenue and expenses are recorded when received and paid. “reality”

1. The Balance Sheet

(Kuratko, 2017)

Financial position at a specific time.

1. Financial resources that firm owns – ASSETS
2. The creditor owns – LIABILITIES
3. The residual interest of the firm's owners – OWNERS' equity

Determine The Value of an ASSET (Kuratko, 2017)

1. Identify the resource
2. Prepare a monetary measurement
3. The degree of ownership

Example: Cash, Inventory, Prepaid Expenses, Equipment, Building

ASSET

1. *“Tangible and Intangible”*
2. Current Asset
3. Non-Current Asset

LIABILITIES

Debts of the business

- Long-term liabilities
- Short-term liabilities

Example: Loan, Wages Payable, Accounts Payable

OWNER'S EQUITY

The remain value after the assets deduct with liabilities. It represents the book value of a company



ACCOUNTING EQUATION

ASSETS =
LIABILITIES + OWNER'S EQUITY

2. The Income Statement

(Kuratko, 2017)

Financial statement of firm's position at particular period.

1. Revenues
2. Expenses
3. Net Income



REVENUES

Selling activities it depends on the type
of business



EXPENSES

Cost of producing the goods/services



NET INCOME

Revenues deduct Expenses

3. The Cash-Flow Statement

(Kuratko, 2017)

The supplement to the balance sheet and income statements

Three main activities:

-Operating

-Investing

-Financing



OPERATING CASH FLOWS

“It generates the cash from business operations of the company”
Example: Revenue collections



INVESTING ACTIVITIES

“The long-term investing activities”
Example: Purchase of equipment



FINANCING ACTIVITIES

“Financing decisions of the firm”
Example: Sale of stocks/bonds



FINANCIAL PLANNING

1. Budgeting
2. Measuring the feasibility of business
3. Expected returns: Net Present Value, Payback method, Internal rate of return.

Reference

Kuratko, D. 2017. Entrepreneurship: Theory, Process, Practice. 10th ed. Canada: Cengage Learning.



thank you

Jonathan Lampatar Siregar

jonathanls@jiu.ac