

**BAHRIA UNIVERSITY (Karachi Campus)****Department of Software Engineering****Assignment 02 – FALL 2024****Entrepreneurship (HSS-421)****CLO:01****Question 1: What questions face MacTavish? And how would you prioritize these problems?**

MacTavish faces several critical questions, primarily related to funding and partnership risks:

1. **How to fund the startup:** He needs to choose between debt, equity, accelerator funding, crowdfunding, or government grants.
2. **Equity partnerships:** He's uncertain about getting into business with family, friends, or lesser-known investors, each with its implications.
3. **Impact of funding choices on early cash flow:** The royalty and equity terms affect his finances.
4. **Hiring options:** Balancing full-time hires, local contract work, offshore development, and sweat equity for crucial positions like development and marketing.

Prioritization:

1. **Funding:** Selecting the best financing method is crucial as it impacts ownership and operational resources.
2. **Hiring Options:** Finding cost-effective talent is essential for startup growth.
3. **Equity Partnerships:** Must ensure partnerships do not create long-term risks.
4. **Cash Flow Impact:** Ensuring the business remains financially sustainable.

Question 2: When considering the crowdfunding option for Golfgamez, what marketing efforts would be required to attract a large base of supporters, and how would offering free versions of the app to these supporters impact the company's future revenue?

To attract a large base of supporters through crowdfunding, Golfgamez would need substantial marketing, including:

- **Social Media Campaigns:** Engaging potential backers through platforms like Facebook, Instagram, and Twitter.
- **Influencer Marketing:** Partnering with influencers in sports and technology to build awareness.
- **Targeted Ads:** Using ads to reach a niche audience of golf enthusiasts.
- **Email Campaigns and Newsletters:** To create awareness among golf communities.

Impact of Offering Free Versions: Providing free app versions to backers may reduce initial revenue but could build a user base and increase visibility. This strategy could enhance brand loyalty, leading to potential upsells, premium subscriptions, and in-app purchases in the future.

Question 3: How could the Scientific Research & Experimental Development (SR&ED) tax credit and other Canadian government funding programs benefit the Golfgamez initiative, and what are the eligibility criteria for these programs?

The **SR&ED tax credit** and other Canadian government programs, like the **Industrial Research Assistance Program (IRAP)**, could significantly reduce costs for Golfgamez by providing:

- **Tax Refunds and Credits:** SR&ED could cover up to 80% of eligible R&D expenses, which could offset costs associated with software development.
- **Non-repayable Grants:** IRAP offers grants like the Accelerated Review Process (ARP), providing up to \$50,000, which could help with technology investments.

Eligibility Criteria:

- SR&ED requires the business to be conducting R&D work in Canada with a clear focus on technological advancement.
- IRAP focuses on Canadian small and medium enterprises (SMEs) that contribute to technological innovation, with Golfgamez likely qualifying due to its digital platform goals.

Question 4: What options did MacTavish consider for equity funding for Golfgamez, and what was his strategy for compensating a local software developer and a marketing manager?

MacTavish's options for equity funding included:

1. **Family and Friends:** Offering a 30% stake (\$300,000 in total).
2. **Retired Executive:** A 20% stake for \$250,000 with a 10% royalty until repayment.
3. **Angel Investors:** Three professors offered a 10% stake for \$150,000 with a 20% royalty.

For compensating key hires:

- **Sweat Equity:** He planned to offer a 5% equity position to both a local software developer and a marketing manager, tying the equity transfer to hours worked. This approach minimized initial cash outlay while attracting talent by giving them ownership stakes in the startup.

THE END

