

Statement from the Chairs in Entrepreneurial Finance

Dear Sir or Madame,

The following describes the course Financial Modeling and why the course is relevant for the IDP. Generally, we recommend the course in Entrepreneurial Finance since Financial Modeling is the advanced course for Master studies. However, since both courses deal with the same objectives but differ in the extent, wherefore we can also recommend Financial Modeling.

In this course, students acquire in-depth knowledge on theories and methods of corporate finance that are critical for understanding investment and financial management decisions. The course deals with the opportunities and limitations of debt financing from the perspective of investees as well as investors. For this purpose, after an overview of theoretical foundations of financing, the different instruments of financing, as well as instruments and hybrid instruments are introduced and discussed. Their functions within an optimal financial strategy in the company are outlined. Especially in the course, risk assessment methods are in the main focus of the learnings. After understanding the basics of financing and the systematics of financial statements as well as financial forecasting, these elements are put into practice setting up an integrated financial business model. Taking the perspective of a investor, this business model is extended by a Leveraged Buyout (LBO) model.

Since the digitalization leads to further innovation in the risk assessment of investors as well, the IDP helps the automatization of risk analyzation. To build an appropriate algorithm for adjust risk parameters, the single parameters shaping the “risk” need to be identified. Therefore, the students learn the fundamentals of risk analyses in the lecture of entrepreneurial finance. Since entrepreneurial finance focuses on the risk assessment of entrepreneurial high-growth first that are risky by nature, there fundamentals are playing an important part in the

definition of the risk parameters for an algorithm. Additionally, the students learn the interactional parameters that are of deeper relevance for investors and investees.

Overall, by choosing the lecture Financial Modeling, the fundamental basics of risky investments are transferred to the students which are the key parameters the algorithm of the IDP is based on.

Students' Responsibilities:

- Phase 1: Get familiar with Chair's expertise on the risk and evaluations on financial services.

Responsible person(s): Andrey Nikiforov, Sergey Nasonov

- Phase 2: Define a conceptual design of risk assessment matrix that includes features from existing products on the market.

Responsible person(s): Andrey Nikiforov, Sergey Nasonov

- Phase 3: Implementation and evaluation of the conceptual matrix as defined in Phase 2.

Responsible person(s): Sergey Nasonov

- Phase 4a: Updating of scores in the risk matrix that includes knowledge gained during the evaluation.

Responsible person(s): Andrey Nikiforov

- Phase 4b: Implementing clustering algorithms that will allow to bring investment to different groups and categories. In the later stages these grouping will allow to recommend the investments to different types of people depending on their risk averseness.

Responsible person(s): Sergey Nasonov

- Phase 5: Implementation and testing of the conceptual design of a recommendation algorithm based on scoring defined. Responsible Person(s): Andrey Nikiforov, Sergey Nasonov