**Assignment 1**

**Fin 580 Entrepreneurial Finance**

**Peking University HSBC Business School**

***Question 1.***

***Answer:***

**a)** After 3 years, value of venture investors: .

So, the percent of ownership should be:

.

**b)** According to a), the number of shares should be:

.

Then, the issue price per share is:

.

Pre-money valuation:

.

Post-money valuation:

$.

**c)** The final venture value is still at the end of the year 3, so:

* Final ownership for the first round investor: .
* Final ownership for the second round investor: .
* Final ownership for founder: .

**d)** The final venture value is still at the end of the year 3, so:

* Final ownership for the second round investor: .
* Final ownership for the first round investor: .
* Final ownership for founder: .

***Question 2.***

***Answer:***

**a)** According to the question, the expected revenues at the restaurant for the next 5 years:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| **Price** |  |  |  |  |  |
| **Sells a Year** |  |  |  |  |  |
| **Revenue** | 360,000 $ | 550,800 $ | 749,088 $ | 955,087 $ | 1,169,027 $ |

**b)** According to the question, when **,**

.

Then . So, when **,**

.

Then:

.

So, the cost of capital for this restaurant is