MGT 816 · The Private Firm CFO

S01 — The Private-Company CFO & the Financial Infrastructure

Wed September 2, 2026 · Yale SOM

Prof. John M. Barrios

The invisible majority

99.9%

of U.S. employer firms are private.

6.4 million firms with employees. 4,010 listed on a U.S. exchange.

The private-company CFO is not the numbers person. They are the strategist no one sees coming.

Your accounting training assumed a public company. This course does not.

Over the next six weeks you run the finance function from formation to exit.

Census Bureau, Statistics of U.S. Businesses 2022 (employer firms); World Bank WDI, listed domestic companies, 2024.

Today in one slide

1. Why private firms are different
2. The CFO's job
3. Cash: burn rate & runway (+ seat exercise)
4. Minimum viable accounting infrastructure
5. Logistics: Case 1 out today · required bootcamp Friday

How this course works

Component	Points
Final exam (one handwritten 8.5×11 cheat sheet)	200
Problem sets ×2 (groups of 2–4)	80
Cases ×2 (groups of 2–4)	75
Participation	45
Total	**400**

TEACHING TEAM

Section 01 · 1:00 Junghoon Song
Section 02 · 2:35 Grisel Ramirez
Section G1 · 4:10 Keshav Sharma
Course assistant Megan Cunningham

- 12 sessions + required Fri 9/4 bootcamp; three identical sections daily (1:00 / 2:35 / 4:10)
- Tablets fine anywhere; laptops back row only (exception: S07 AI workshop — laptops required)
- Textbook: Fabozzi, Entrepreneurial Finance & Accounting for High-Tech Companies; else on Canvas
- Office hours by appointment (Evans 3518)
- Name tents up, please

Staying private longer, raising bigger

8 → 12 yrs

median age of a company at IPO,

1996 vs. 2025 (14 in 2024)

$122B

OpenAI's single private round, March 2026.

Uber's entire pre-IPO total was $22B.

11

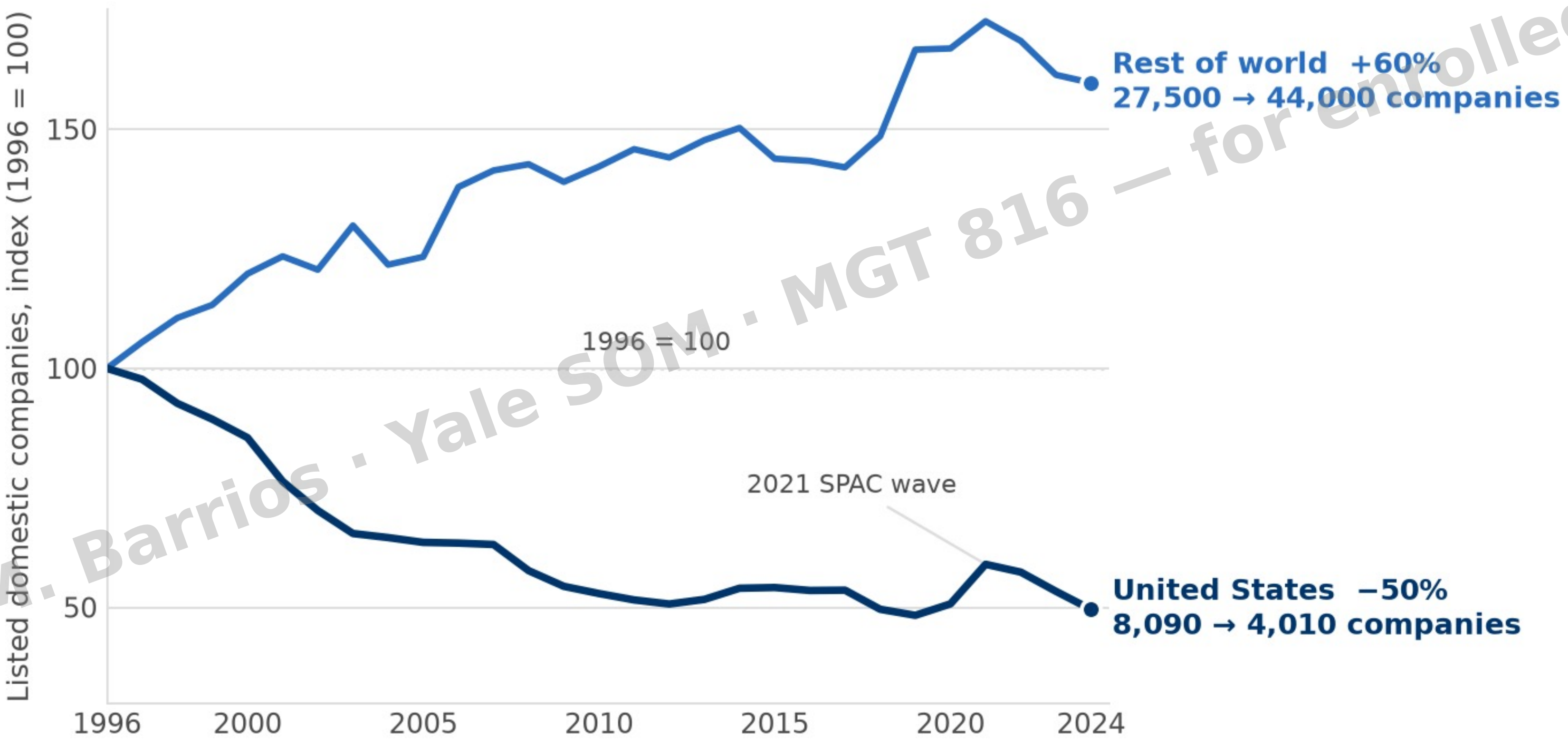
venture rounds of $1B or more

in Q4 2025 alone

Sources: Ritter, IPO data (U. Florida), Dec 2025; Bloomberg and CNBC, Mar 31, 2026; PitchBook-NVCA Venture Monitor, Q4 2025.

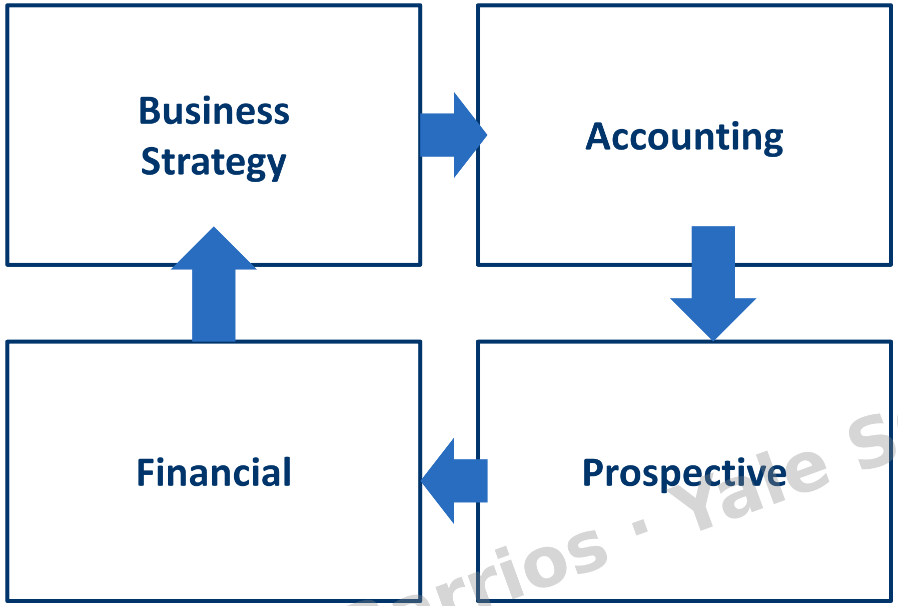
The U.S. listing gap

Since 1996, U.S. listings have halved: 8,090 to 4,010. The rest of the world: +60%.



Source: World Bank WDI, listed domestic companies (WFE data), 1996–2024; rest of world = world minus U.S.
Framing: Doidge, Karolyi & Stulz (2017), Journal of Financial Economics, 'The U.S. Listing Gap.'

Four lenses, adapted for the startup



Healy & Palepu, Business Analysis & Valuation.

Lens	What changes for a startup
Strategy	Limited resources; growth hacking
Accounting	Bookings / ARR vs. GAAP revenue
Financial	Burn & runway replace EBITDA; LTV/CAC with caution
Prospective	6–18-mo operating forecasts; credibility = hitting milestones

Mission Impossible — SixWings Logistics

You are the CFO. The clock is running.

SixWings: Hershey's wants your financials

You are the CFO of **SixWings**, a 2-year-old logistics-software startup.

Your software lets large shippers track freight in transit.

Hershey's wants to license it; the VP Logistics is your champion.

Purchasing demands **3 years of financial statements** to vet viability.

Yours are ugly: 2 years of losses, thin revenue, little cash — and only 2 years of history.

You are a savvy CFO. What is a possible course of action?

The silent majority: most private firms are unaudited

60%

60% of surveyed large private firms (>$10M revenue) produce **no audited GAAP** statements.

Audit likelihood **rises when raising capital** — debt or equity.

And rises for **intangible-heavy firms** (software) — few physical assets to inspect.

That profile is **exactly SixWings**.

Lisowsky & Minnis (2018), "The Silent Majority," Journal of Accounting Research.

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Public CFO vs. private CFO ★

	Public-company CFO	Private-company CFO
Answers to	SEC, analysts, thousands of shareholders	A board, a few investors, the bank
Accounting	GAAP, audited, every quarter	Speed and usefulness; GAAP only when required
Forecasts	Guidance, scrutinized by analysts	Runway and the next round
Capital	Deep, low-cost public markets	Raised in rounds; expensive and relationship-driven
Disclosure	Careful, uniform, lawyered	Selective; credibility is built by hand
The hats	Specialists report to you	Treasurer, controller, FP&A, IR, HR, internal audit, CEO's psychologist

"What I love about my job is that it is about so much more than just the numbers." — Brian Roberts, CFO, Lyft.

Four goals of the early-stage CFO ★

1. Don't run out of cash.
2. Have capital for growth.
3. Get the basics covered (reporting, budgets, AR, bills).
4. Focus the company on key metrics.

The job in four quadrants

Business Insights

- Build & visualize strategy
- Analyze past & projected performance

Finance Strategy

- Manage cash & raise capital
- Own the cap table
- Prep for exit

Operational Finance

- Collections & payments; close the books
- Prep board meetings
- Hire & issue options

Governance & Control

- Accounting policies (rev rec)
- Internal controls
- HR policies

A CFO's year = this course

Recurring activity	Session(s)
Month-end close ×12	S01
Cap table & raising capital	S02, S11
Hiring / comp	S03–S05
Quarterly re-forecast + annual budget	S06–S07
Accounting policies / rev rec	S09
Quarterly BOD meetings	S10
Year-end close	S01
Exit prep	S12

The CFO's operating year — and our 12-session map.

Burn rate & runway ★

- Burn rate = net cash your company uses per period (usually monthly).
- Runway = how long until the cash runs out.
- Watch **net, not gross** — only net cash out drains the tank.
- Runway tells you when to raise or cut.

Gross burn = total cash out / mo

Net burn = cash out − cash in

Runway (months) = Cash ÷ Net burn

Out-of-cash date = today + runway

Poll: what's the net burn?

A startup spends **$100K per month** on operating costs and collects **$30K per month** from customers. Its net burn is—

A) $130K

B) $100K

C) $70K

D) $30K

Exercise: SixWings — how long can we fly?

Task: Solo or with your neighbor, on the half-sheet, find: (a) gross burn, (b) net burn, (c) runway in months + the month we run out of cash, (d) which buys more runway — Option 1 (recurring cut) or Option 2 (one-time collection)? (e) stretch: if we raise in month 6, how big a round buys 18 months of runway at current net burn?

⏱ **7 minutes — on-screen countdown 7:00**

Deliverable: numbers on the half-sheet; be ready to be cold-called.

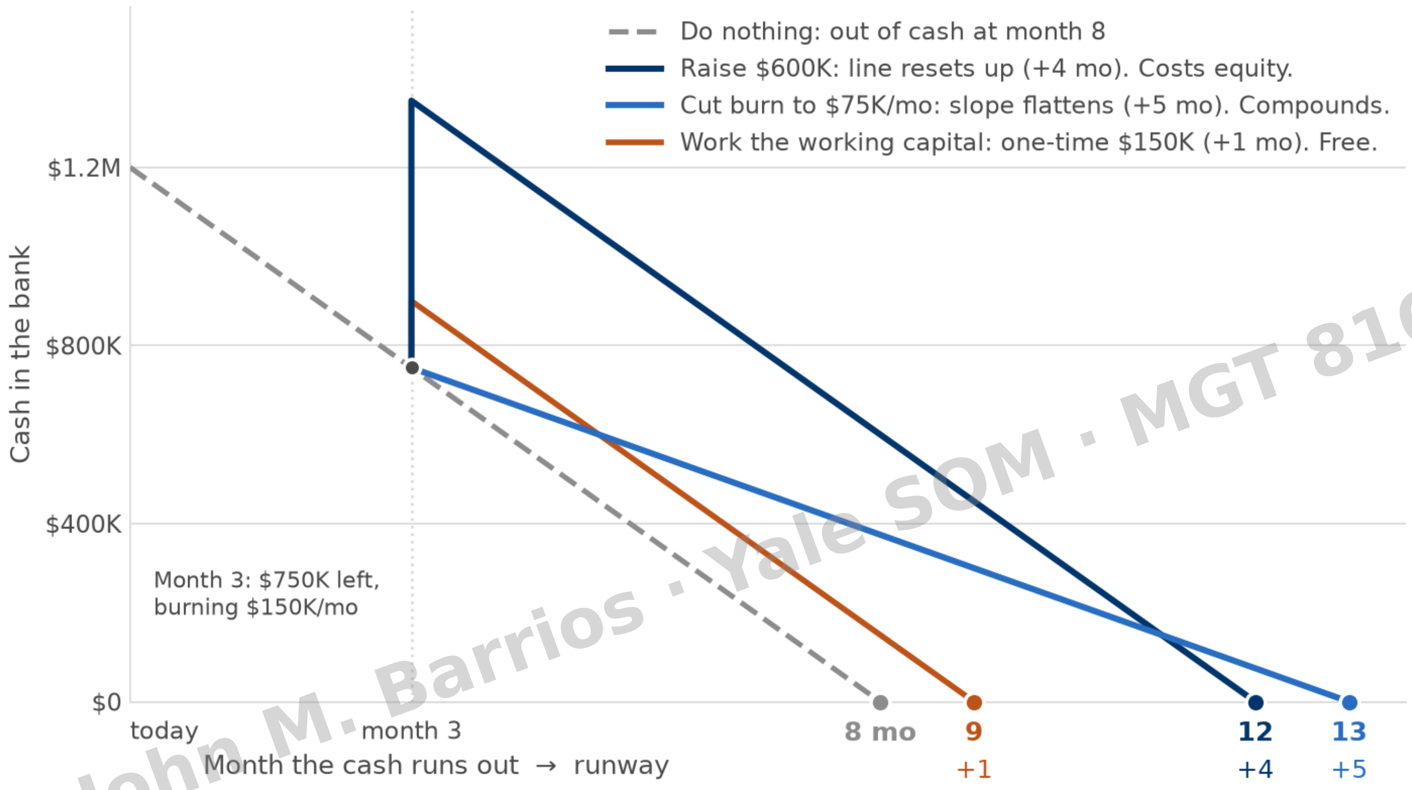
Section 1 (1:00 · white half-sheets): Cash $1,200K · payroll $150K/mo · rent+cloud $45K/mo · other $30K/mo · collections $75K/mo · Option 1: cut $30K/mo (freeze two open roles) · Option 2: collect $150K past-due AR today.

Section 2 (2:35 · blue half-sheets): Cash $1,800K · payroll $200K/mo · rent+cloud $60K/mo · other $40K/mo · collections $100K/mo · Option 1: cut $40K/mo · Option 2: collect $200K AR today.

Section 3 (4:10 · yellow half-sheets): Cash $2,100K · payroll $240K/mo · rent+cloud $70K/mo · other $40K/mo · collections $140K/mo · Option 1: cut $35K/mo · Option 2: collect $210K AR today.

'Today' = Sep 1, 2026 cash balance.

Extending the runway: three levers ★



Runway = months until the line hits zero. Each lever moves that point right.

1. Raise capital — costs equity
2. Cut burn — recurring, so it compounds
3. Work the working capital — free, one-time

"The only unforgivable sin in business is running out of cash." — Harold Geneen, ITT.

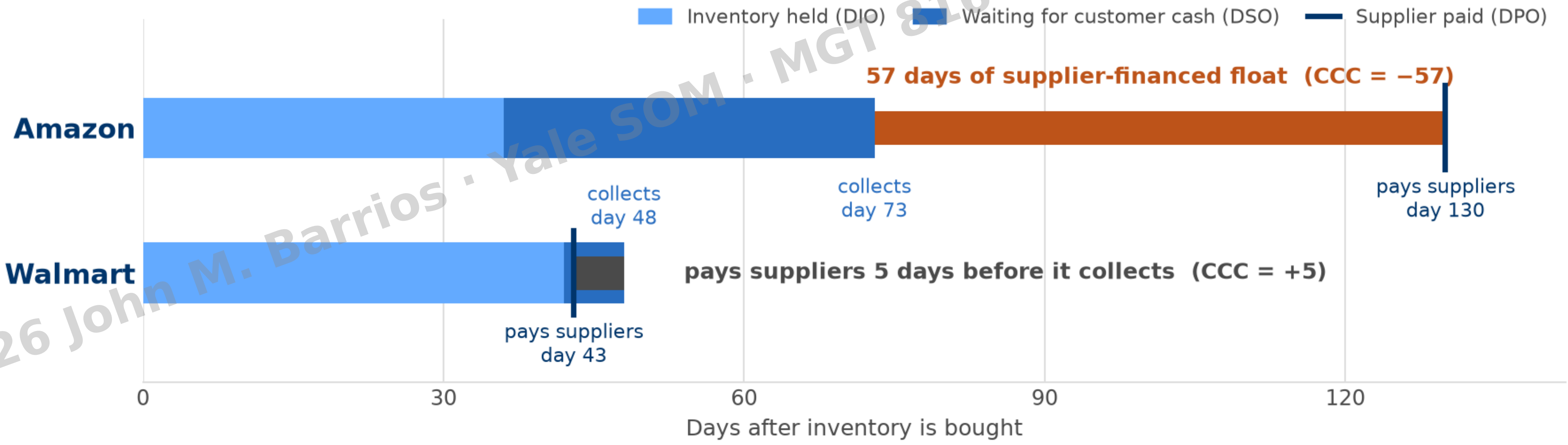
Working capital: collect faster, pay smarter

Receivables — collect faster	Payables — pay smarter
Invoice immediately & accurately	Never pay early (absent a discount)
Apply cash to right invoice	Dispute inaccurate invoices
Standard collections process	Reconcile to PO / contract
Formal credit approval	Negotiate Net 45/60
Negotiate terms; beware slow-pay	Hold vendors to SLAs

The extreme case: Amazon & Walmart ★

Cash conversion cycle = days inventory held + days waiting for customer cash − days before you pay suppliers.

Negative means suppliers finance the business. The float grows with sales, and it costs nothing.



Trailing-12-month ratios from company filings (GuruFocus, mid-2026). Amazon DIO 36, DSO 37, DPO 130. Walmart DIO 42, DSO 6, DPO 43.

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Cash vs. accrual: your first policy decision ★

- **Cash basis:** recognize revenue/expense when cash moves.
- **Accrual basis:** recognize when earned/incurred (creates AR, inventory, AP).
- Startups start **cash-basis** — cheap, simple.
- **Switch trigger:** first institutional capital OR a GAAP-demanding counterparty (Hershey's).
- Accrual = better economic view, higher cost.

The book of record, the stack, and the chart of accounts

- Accounting software = book of record (QuickBooks / Xero / FreshBooks)
- AR & AP tools
- Document collection & management
- Automated data extraction & entry

Range	Account class
1000s	Assets
2000s	Liabilities
3000s	Equity
4000s	Revenue
5000s	COGS
6000s	OpEx

Structure the data on day one.

The accounting stack — and what AI pulls back in-house

2025 — the stack you bought

Book of record	QuickBooks, Xero, Sage Intacct, FreshBooks cloud accounting
AR & AP	QuickBooks, Xero, Bill.com
Docs & files	Hubdoc, receipt bank, LEDGERSYNC
Data entry	Expensify, TSHEETS We ❤ Employees

Logos © their owners. Names churn; the layers are the point.

AI eats the middle

2026 — ledger, rails, one LLM

Book of record — keep

QuickBooks, Xero

One LLM does the middle work

Claude · ChatGPT · ~$20 /mo

Rails you still buy

- Ramp
- Mercury
- Gusto
- Stripe
- carta — equity ledger

Service-as-software goes in-house. The ledger, the rails, and your judgment stay.

When controls fail: Skully & WrkRiot

Skully

2016 · AR motorcycle helmet · $2.4M crowdfunded, then venture money

Founders accused of spending company cash on two Dodge Vipers and a rented Lamborghini. Company collapsed before shipping.

Missing control: documentation for every expense.

WrkRiot

2016 · Silicon Valley startup · staff unpaid for months

CEO accused of faking wire-transfer confirmations to keep unpaid employees working. Company shut down; the SEC later charged the CEO.

Missing control: a second person releases every payment.

Neither control costs money. Both were missing.

Three controls that scale ★

Control	Purpose	Example
Segregation of duties	No one person holds authorization + custody + record-keeping	Person who approves payment ≠ person who releases it
Authorization of transactions	Approvals scale with risk	>$1,000 needs a second approval; wires need two people
Retention of records	Keep the paper trail	Invoices, leases, check register retained

The monthly close ★

Step	What happens
1. Pre-close readiness	Close calendar, responsibility matrix, policy review
2. Close sub-ledgers	AR, AP, fixed assets, inventory
3. GL accounting	Accruals, deferrals, provisions; review trial balance
4. Account reconciliations	Tie GL accounts to source data
5. Prepare financial statements	Balance sheet, P&L, cash flow
6. Management review	Validate the results

HIRE SOMEONE TO DO THIS.

Watch: bank rec ↔ Cash · aging/past-due ↔ Receivables · unbilled/deferred revenue · unrecorded expenses · overdue AP.

Can outsiders trust your numbers?

When unaudited, credibility comes from three signals:

- **Audits / reviews** — is it complete and accurate?
- **Analyst-style scrutiny** — do the numbers match the business?
- **Reputation** — does management hit what it forecasts?

This is what Hershey's was really buying.

Takeaways ★

1. Private-firm CFOs manufacture credibility; audited financials are one tool, not the only one ★

2. Net burn = cash out − cash in; runway = cash ÷ net burn ★

3. Recurring burn cuts beat one-time cash — runway is hyperbolic in burn ★

4. Working capital is financing: collect faster, pay smarter (Amazon does) ★

5. Close monthly, segregate duties, keep records — infrastructure before it's needed ★

This week & next

Fri Sep 4 (Monday schedule) — required CFO Toolkit Bootcamp

Same room & times; a regular class meeting. Journal-entry / financial-statements refresher, Excel cap-table setup, group formation, Q&A. Nothing graded that day; materials post to Canvas afterward.

Wed Sep 9 — S02 Cap Table Lab

Bring a laptop with Excel; prep Fabozzi Ch. 7 pp. 127–130 & 140–143; PS1 assigned that day (groups of two to four, due Wed 9/23).

Case 1 — FeedBurner

Packet on Canvas today; groups of two to four, self-signup on Canvas by Wed 9/9; memo due 1:00 pm Wed Sep 16.