

Venture Capital

19/4/18

19.4.18

Q.P. Code :32328

[Time: 2:30 Hours]

[Marks:75]

Please check whether you have got the right question paper.

- N.B:
1. All questions are compulsory subject to internal choice.
  2. Figures to right indicate marks.



Q.1 A) Fill in the blanks with suitable answer: (any eight) 08

1. ----- acts as an intermediary to link up the sources of ideas and the sources of fund.
  - a) Merchant Banker
  - b) Credit Rating Agency
  - c) Venture Capital
2. ----- is a form of investment club.
  - a) Debt fund
  - b) Money Marker
  - c) Private Equity Fund
3. ----- aims at reducing risk and enhances returns.
  - a) Hedge fund
  - b) Equity
  - c) LBO
4. ----- is an investment period of Private Equity.
  - a) Phase One
  - b) Phase Two
  - c) Phase Three
5. ----- structure is normally used where domestic investors are expected to participate in the fund.
  - a) Co-investment
  - b) Unified
  - c) Offshore
6. The ----- has unlimited liability with regard to third parties.
  - a) General Partner
  - b) Limited Partner
  - c) Unlimited Partner
7. ----- is the risk investor is not able to pay their capital commitments to a private equity fund.
  - a) Funding Risk
  - b) Exchange Rate Risk
  - c) Liquidity Risk



8. FEMA Regulations are passed in the year -----  
a) 1969  
b) 1992  
c) 2000
9. A sale of the portfolio company to another private equity is known as -----  
a) Mergers  
b) Secondary Sale  
c) Buyback
10. In India, the acquiring company can form a ----- which is a subsidiary of the acquirer with a minimum equity capital.  
a) SPV  
b) Fund of Fund  
c) Sponsor

**B) State whether following statements are True or False: (any seven)**

07

1. Private equity investment is generally for a short period of one to years.
2. Private equity pool is operated by a Limited Partner who charges management fees for General Partners.
3. Under Offshore fund structure, an investment vehicle is organized in an offshore tax favourable jurisdiction.
4. In stock purchase format, the target firm sells its assets to the buying group.
5. The major advantage of secondary sale is its speed and liquidity.
6. Seed capital is provided to the companies for the purpose of expansion of business.
7. Mezzanine financing is the hybrid of debt and equity financing.
8. Regulatory risk is the risk of doing a transaction which is not as per the prevailing rules and laws of the country.
9. Preferred ordinary shares are equity shares with special rights.
10. Special situations investing is specialist private equity investor and has existing relationship with firms.

Q.2

- a) Define Venture Capital and state the features of venture capital. 08
- b) Explain the concept of Private Equity and elaborate the role of Players in the private equity market. 07

OR





- p) Describe the legal structure of Private Equity. 08
- q) State the differences between Venture Capital and Private Equity. 07
  
- Q.3
  - a) Briefly enumerate the business cycle of Private Equity. 08
  - b) What are the routes of VC/ PE investments in India? 07
- OR
- p) Explain the following valuation methods. 08
  - a) Conventional Venture capitalist evaluation method
  - b) The first Chicago Method.
- q) Write a note on regulatory aspects of VC/PE investments in India. 07
  
- Q.4
  - a) What are the advantages and disadvantages of LBO? 08
  - b) Write a note on Growth Equity. 07
- OR
- p) Explain the procedure of due diligence. 08
- q) Describe the merits of mezzanine financing. 07
  
- Q.5
  - a) Briefly explain the Private Equity exit process. 08
  - b) State the disadvantages of IPO as an exit strategy. 07
- OR
- c) Write short notes on **any three** of the following. 15
  - a) Promoter Buyback
  - b) Merger and Acquisition
  - c) Distressed Debt
  - d) Benefits of Private Finance
  - e) Risks faced by Private Fund Manager

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