

Venture Capital & Private Equity TYFM SEM VI

UNIT II

1. The method by which an investor will realise an investment
 - Exit Route
 - Private Equity
 - Business Summary
 - Institutional Investors
2. The Amount Of This Is Available To A Management Team For Venture Investments
 - Post Money
 - Senior Stock
 - Equity Offerings
 - Capital Under Management
- 3 A Study Of The Background And Financial Reliability Of The Company Is Done By
 - Due Diligence
 - Preferred Stock
 - Market Capitalisation
 - Follow On
- 4 An Investment In A Startup Business Having Excellent Growth Prospects Is
 - Private Equity
 - Venture Capital Financing
 - Minority Enterprise
 - Llp
5. Venture Capital Is Available In The Following Forms In India
 - Equity
 - Conditional Loan
 - Conventional Loan
 - All Of The Above
- 6 Venture capital takes different stages of a project
 - Early stage
 - Startup stage
 - 2nd stage
 - All of the above
7. Venture Capital Is Required By
 - All Companies
 - By Government Companies
 - Entrepreneurs With Bright Ideas
 - All Of The above

8.Private Equity Firms

- Make Large Investment
- Use A Combination Of Debt And Equity
- Buy Companies Across All Industries
- All Of The Above

9. Process Involved In Venture Capital Investment

- Deal Origination
- Screening
- Deal Structuring
- All Of The Above

10. Private Equity Firms Are In The Process Of

- Raising Investing And Distributing
- Raising Funds Only
- Investing In Ipo
- All Of The Above

11.Private Equity Fund Is Also Known As

- Mutual Fund
- Fund Of Funds
- Equity Fund
- Debt Fund

12.Private Equity Refers To

- Alternate Form Of Investment
- Equity In Private
- Listed Shares On Stock Exchange
- All Of The Above

13. Private Equity Funding Is

- Funding By Private Investors
- Ipo
- Funding By Government Companies
- None Of The Above

14.Private Equity Capital Can Be Used For

- Expanding Working Capital
- Funding New Technology
- Making Acquisitions
- All Of The Above

15. Pros And Cons Of Private Equity Investment

- Creates Shareholder Value
- Involves Great Deal Of Risk
- Promote Economic Growth
- All Of The Above

16. Working Of Private Equity Firms Involves
- Invest In A Specific Sector
 - Source Out Potential Companies
 - Implement A Plan Of Action
 - All Of The Above
17. Venture Capital Is Also Known As
- Risk Capital
 - Non Risk Capital
 - Debt Capital
 - None Of The Above
18. Venture Capital Firms Finance
- New Ideas For Innovation
 - Involve High Risk High Returns
 - Connotes Risk Finance
 - All Of The Above
19. Private Equity Funds Are Invested In
- Mature Companies
 - Dead Companies
 - Newly Formed Companies
 - All Of The Above
20. Venture Capitalists Make Money
- By Borrowing
 - By Taking Active Part In Business
 - Exiting That Is Selling Their Investments
 - All Of The Above
21. Private Equity Funds Involve The Following
- General Partner
 - Management Company
 - Investment Advisor
 - All Of The Above
22. Private Equity Fund Raises Money Through
- High Net Worth Individuals
 - Pension Funds
 - Fund Of Funds
 - All Of The Above
23. Private Equity Fund Generates
- Capital Profit
 - Revenue Profit
 - No Profit
 - None Of The Above

24. Players In The Private Equity Market Include
- Issuers
 - Intermediaries
 - Investors
 - All of the above
25. Private Equity Firm Is Incorporated As
- Llp
 - Company
 - Proprietorship Firm
 - Partnership Firm
26. Venture Capital Is Invested As
- Equity Stake In The Business
 - Loan To The Business
 - Providing Assets Needed By The Business
 - All Of The Above
27. Characteristics Of Venture Capital Investments
- High Risk
 - Low Liquidity
 - Longer-Term
 - All Of The Above
28. The Funding Process Of Venture Capital Starts With
- Idea Generation
 - Application For A Funds
 - Project Report Preparation
 - Permission To Raise Capital
29. The Venture Capital Financing Starts With
- Deal Origination
 - Preparation Of Funding Report
 - Deal Negotiation
 - None Of The Above
30. The Valuation Of Startups Is Generally Done By
- Venture Capital Method
 - N Av Method
 - Market Price Per Share Method
 - None Of The Above
31. Scorecard Valuation Method Is Used To Value
- Mature Companies
 - Startup Companies
 - Old Companies
 - All Of The Above

32. The Business Valuation Methods For Existing Strong Companies Are Are
- Asset Based Value Approach
 - Earning Price Approach
 - Market Price Approach
 - All Of The Above
33. The Source Of Venture Capital Funding Has
- Decreased Since 1990
 - Been Associated With Pension Funds And Wealthy Individuals
 - Seen By The Government
 - All Of The Above
34. The Largest Industry Group Receiving Venture Capital Funding Is
- Information Technology
 - Medical
 - Hardware
 - None Of The Above
35. Venture Capital Fund Invests Based On
- Company Size
 - Company's Assets
 - Stage Of The Company In Market
 - None Of The Above
36. Investors In Venture Capital Fund Earn
- Regular Interest On Investment
 - Regular Share In Profit
 - Capital Appreciation
 - Exit Strategy Through Ipo
37. Venture Capital Fund Creates Money
- In The Capital Market
 - In The Money Market
 - By Pooled Investments
 - None Of The Above
38. Venture Capital Fund Is Also Known As
- Hedge Fund
 - Mutual Fund
 - Growth Fund
 - None Of The Above
39. Venture Capital Fund Investors Are
- Sleeping Partners
 - Play And Active Role In Management
 - Are Not Interested In The Company
 - All Of The Above

40. Venture Capital Investments Are Considered
- Seed Capital
 - Early Stage Capital
 - Expansion Capital
 - All Of The Above
41. Private Equity Investment Is
- Not Listed On Stock Exchange
 - Listed On Stock Exchange
 - Invested In Public Companies
 - None Of The Above
42. A Private Equity Fund Has
- Limited Partners
 - General Partners
 - Both A And B
 - None Of The Above
43. Private Equity Funding Includes
- Distress Funding
 - Leveraged Buyouts
 - Real Estate Private Equity
 - All Of The Above
44. Private Equity Firms Main Source Of Revenue Is
- Management Fees
 - Performance Fees
 - Both A And B
 - None Of The Above
45. Venture Capitalist And Venture Capital Fund Are
- One And The Same
 - Both Are Conceptually Different
 - Both Want Fixed Income
 - None Of The Above
46. The Key Risk In Private Equity Is
- Liquidity Risk
 - Funding Risk
 - Market Risk
 - All Of The Above
47. Funding Risk In Private Equity Refers To
- Not Getting Funding For The Project
 - Not Able To Repay To Private Equity Funds
 - Not Able To Earn On The Funds
 - All Of The Above

48.Private Equity Funds Are Regulated By

- Sebi
- Rbi
- Companies Act
- All Of The Above

49.Methods Of Startup Valuation Are

- Comparing Price Method
- Score Card Method
- Discounted Cash Flow
- Method All Of The Above

50. ----- Valuation is the act of assessing value or price of financial assets or liability.

- Business
- Financial
- Share
- Debenture

Unit III

1. In LBO _____ is used more to acquire target company.
 - a. Equity financing
 - b. Debt financing
 - c. Mezzanine financing
 - d. Ordinary shares

2. In LBO _____ company's assets and cash flows are used to pay for interest of the financing cost.
 - a. Target company
 - b. P/E firm
 - c. Bank
 - d. Fund of Funds

3. Purpose of the LBO is to allow company's to make acquisition without commitment of lot of _____.
 - a. Loan
 - b. Asset
 - c. Capital
 - d. Risk

4. _____ is investment category residing between venture capital and buyout.
 - a. LBO
 - b. Distressed buyout
 - c. Growth equity
 - d. SPV

5. Growth Equity is also called as _____.
 - a. Mezzanine capital
 - b. Expansion capital
 - c. Fund of funds
 - d. Distressed financing

6. Growth Equity investment is made in _____ companies.
 - a. Mature
 - b. Growth stage
 - c. Decline stage
 - d. Introduction

7. _____ is a hybrid of debt & equity financing.

- a.LBO
- b.Dis stressed buyout
- c.Mezzanine
- d.Speciality Financing

8. A private firm may offer mezzanine financing where return expecting are _____ for year.

- a.15%-20%
- b.20%-25%
- c.12%-18%
- d.18%-20%

9. _____ is considered as any type of loan that is paid after all other corporate debts and loans are repaid.

- a.Equity capital
- b.Subordinated debt
- c.Preference capital
- d.Debenture Capital

10. Lenders who are involved in mezzanine finance are _____ term investors.

- a.Long
- b.Short
- c.Medium
- d.Quick

11. Mezzanine financing strategy is more _____ traditional financing.

- a.Cheaper than
- b.Similar to
- c.Expensive than
- d.Cost effective than

12. Special situation strategy is also called as _____

- a.Turnaround
- b.LBO
- c.Dis-stressed buyout
- d.Growth Finance

13. Examination of potential investment is called

- a.Screening
- b.Due diligence
- c.Checking
- d.Evaluation

14. In due diligence audited financial statement of _____ years checked.

a.3

b.2

c.5

d.1

15. A _____ is pooled fund vehicle whose manager allocates capital amongst a number of private equity funds

a.Fund of funds

b.Special purpose vehicle

c.private equity

d. SPV

16. _____ expects to emphasize investment in existing private companies that are expanding through growth strategies or stages of business cycle.

a.Private equity

b.Corporate finance

c.Venture capital

d.LBO

17. In _____ option of LBO, shareholders simply sell their stock and all interest in the target company to the buying group and then the two firms may be merged.

a.Asset purchase

b.Stock purchase

c.Venture capital

d.Special investing

18.venture capital and growth capital both are parts of _____.

a.Private equity

b.Mezzanine financing

c.Venture capital

d.LBO (leverage buy-out)

19. Private Equity industry has evolved and now appeals to greater variety of investors due to _____.

a) Variety of strategies

b) Low risk

c) Stability

d) Fixed returns

20. Private equity strategies are often categorized according to the stage of the company and how the company _____

a.Liquidates capital

b.Utilises capital

c.Saves capital

d.Saves tax

21. Leverage Buyout is mainly financed by _____ to obtain the domination of a matured company.

a.Bank Loan

b.Project Finance

c.IPO

d.FPO

22. In India, the acquiring company can form a _____ which is a 100% of subsidiary of the acquirer with a minimum capital for the purpose of LBO.

a.Special Purpose Vehicle

b.Hedge Fund

c.Venture Capital

d.Merchant Bank

23. Increased leverage result in _____ to private equity sponsor

a.Increased financial return

b.Decreased financial return

c.Increased Savings

d.Increased Investments

24. In LBO, capitalized value of cash flowing to debt is _____ than the same cash stream flowing to equity.

a.Smaller

b.Greater

c.Equal

d.Lesser

25. From seller's perspective, LBO is considered, because_____.

a.It is only one way available.

b. It is very quick

c.It is Simple

d.It gives desired price.

26. A form of Buyout whereby a small portion of stakes will be hold by the management and remaining by the private equity financing is known as_____.

- a.Partial Buyout
- b.Equity Buyout
- c.Private Equity Buyout
- d.Management Buyout

27. Growth equity is provided for the companies that require money for restructure operations or _____.

- a. Contract the existing market
- b.Explore the new market
- c.Reduce the size of business
- d.Reduce the number of markets

28. Growth equity investment is traditionally done in company's which have not take prior_____ investment.

- a.Institutional
- b.Bonds
- c.Debentures
- d.Equity

29. From the target company's perspective, growth capital is preferred when there is chance that EBITDA multiple may_____the company.

- a.Undervalue
- b.Overvalue
- c.Not assign value
- d.Put into high risk category

30. Growth equity funds are typically _____ partnerships.

- a.Unlimited
- b.Limited
- c.Lonterm
- d.Medium term

31. Private and public listed company's selling part of the business is termed as _____

- a. Sale off
- b. Flip off
- c. Spin Off
- d. Cut off

32. Lack of free cash flow makes it difficult for the company to obtain_____.

- a. Growth Capital
- b. Mezzanine capital
- c. Equity finance
- d. Debt financing

33. Growth equity investors invest more in _____ industry

- a. Modern
- b. Small
- c. Medium
- d. Traditional

34. If one or more persons take an equity stake in the company without assuming any liability to the company's creditors, it is known as _____ in mezzanine financing

- a. Active
- b. Silent
- c. Sleeping
- d. Dormant

35. _____ are most common form of mezzanine financing which are unsecured.

- a. Subordinated debt
- b. Loans
- c. Margin Financing
- d. Securitisation

36. _____ loan are normal loans, but their interest is not fixed, but is provisional upon the results of business.

- a. Mortgage loans
- b. Participating loans
- c. Long term loans

d.Short term loans

37. Holders of _____ bonds have right to acquire shares or other equity instruments of the company instead of accepting repayment

a.Non convertible

b.Warrants

c.Convertible

d.Debentures

38. Mezzanine funding provides for _____ amount of funding than an asset backed loan

a.Lower

b.Similar

c. Higher

d.Shorter

39. Arranging for mezzanine finance is _____ process

a. Simpler

b.Easier

c.Lenghty

d.Short

40. The lender of Mezzanine financing is assuming _____ risk as compared to traditional lender

a.Greater

b.Lesser

c.Similar

d.No risk

41. _____ is a smaller but growing sector of private equity market

a.LBO

b.Expansion Credit

c.Distrssed Buyout

Mezzanine finance

42. When a private equity firm purchases a financially weak company below market value with the intention of divesting the company in future for a higher value is known as _____.

a. Distressed Buyout

b. Collateralised loan

c. Growth Equity

d. Leveraged Buyout

43. _____ strategies involve, investor providing debt and equity investments, in the form of rescue financing.

a. Fund of Funds

b. Hedge financing

c. Special Situation

d. Endowments

44. Making investments in which companies are likely to undergo bankruptcy is _____.

a. Opportunistic distressed debt

b. Acquisition

c. Takeover

d. Growth Capital

45. Investing in Fund of Funds results in _____ of risk of investing in the private equity since they invest in variety of funds.

a. Increase

b. Avoiding

c. Spread

d. Decrease

46. _____ usually referred in the context of mergers and acquisitions before finalizing deal.

a. Due diligence

b. Company Analysis

c. Fundamental Analysis

d. Technical Analysis

47. Extensive due diligence in the private equity market is needed as _____ information available to the public about the company

a. Extensive

- b.Exhaustive
- c.Colloborative
- d. Little

48. In the process of diligence, a schedule of the Company's _____ largest customers in terms of sale is utilized to study customer information.

- a.12
- b.15
- c.20.
- d.50

49. Due diligence check list for start –up companies include Financial Information, Customer Information and details of_____.

- a.Income Statement
- b.Cash Flow Statement
- Fund Flow Statement
- d. Organisation Goodwill

50. Due diligence is a _____.

- a.Manadatory test
- b.Reality Test
- c.Blind test
- d.Acid test

Venture Capital & Private Equity-

ANSWER KEY UNIT II

1	1
2	4
3	1
4	2
5	4
6	4
7	3
8	4
9	4
10	1
11	2
12	1
13	1
14	4
15	4
16	4
17	1
18	4
19	1
20	3
21	4
22	4
23	1
24	4
25	1
26	1
27	4
28	1
29	1
30	1
31	2
32	4
33	2
34	4
35	4
36	4
37	3
38	4
39	2

40	4
41	1
42	3
43	4
44	3
45	2
46	4
47	2
48	4
49	4
50	1

Unit III Answer Key

- 1. b. Debt financing**
- 2. a. Target company**
- 3. c. Capital**
- 4. c. Growth equity**
- 5. b. Expansion capital**
- 6. a. Mature**
- 7. c. Mezzanine**
- 8. a. 15%-20%**
- 9. b. Subordinated debt**
- 10. a. Long**
- 11. c. Expensive than**
- 12. a. Turnaround**
- 13. b. Due diligence**
- 14. a. 3**
- 15. a. Fund of funds**
- 16. a. Private equity**
- 17. b. Stock purchase**
- 18. a. Private equity**
- 19. a) Variety of strategies**
- 20. b. Utilises capital**
- 21. b. Bank Loan**
- 22. a. Special Purpose Vehicle**
- 23. a. Increased financial return**
- 24. b. Greater**

25. d. It gives desired price
26. d. Management Buyout
27. b. Explore the new market
28. a. Institutional
29. a. Undervalue
30. b. Limited
31. c. Spin Off
32. d. Debt financing
33. d. Traditional
34. b. Silent
35. a. Subordinated debt
36. b. Participating loans
37. c. Convertible
38. c. Higher
39. c. Lengthy
40. a. Greater
41. c. Distressed Buyout
42. a. Distressed Buyout
43. c. Special Situation
44. a. Opportunistic distressed debt
45. c. Spread
46. a. Due diligence
47. d. Little
48. a. 12
49. d. Organisation Goodwill
50. b. Reality Test