

**B.Com (Financial Markets) Semester VI**  
**Subject: Venture Capital and Private Equity**  
**Question Bank**

Sr. No.	Question	Answer1	Answer2	Answer3	Answer4
1	The private equity fund generally disposes of the investment within relative time frame of 3 to 5 years from investment. What is this called as?	Investment	Negotiation	Exit	Deal structuring
2	What is the risk of loss due to change in market prices called?	Liquidity risk	Credit risk	Price risk	Operating risk
3	_____ fund structure is ideally set up in a tax efficient jurisdiction outside India.	Domestic structure	Co-investment Structure	Unified Structure	Offshore Fund Structure
4	In _____ fund structure the investments are pooled from domestic investors by setting up a domestic pooling vehicle.	Unified structure	Onshore Structure	Co-investment Structure	Offshore Fund Structure
5	Which of the following are typically open ended and actively managed?	Private equity	Venture capital	Hedge fund	Investment
6	In which structure two separate pools of capital for domestic investors and for offshore investors are created?	Unified structure	Onshore Structure	Offshore Fund Structure	Co-investment Structure
7	Private equity investments are _____ stage investments.	early	mature	no particular stage	none of the above
8	Under which fund structure, an investment vehicle in the form of a limited liability company or limited liability partnership organized in an offshore tax favourable jurisdiction makes portfolio investments into Indian companies?	Unified structure	Co-investment Structure	Domestic Structure	Offshore Fund Structure
9	Venture Capital investments are _____ stage investments.	early	mature	later	no particular stage
10	_____ is a form of risk capital.	Hedge fund	Venture capital	Private Equity	None of the above
11	Private equity investments are made in ?	Unlisted Equity Shares	Listed Equity Shares	Only debt	None of the above
12	Venture capital investments are usually made at _____ stage as compared to private equity.	Later	Earlier	Expansion	None of the above
13	_____ is the beneficial interest of an investor in an AIF.	Unit	Leverage	Corpus	Carried interest
14	Venture capital is _____ type of AIF as per SEBI regulations.	Category II	Category I	Category III	Category IV
15	IPO, buy-back by promoters, mergers/ acquisitions are _____.	Exit strategies	Post investment activities	Deal structuring	Buyout options
16	The _____ monitor the ventures funded by them.	Venture capitalists	Equity analysts	PE funds	Due diligence
17	Ordinary share, non voting equity shares, preferred ordinary shares are types of ?	Debt	Equity	PE funds	Buyout options
18	What includes product and its patent value, target markets, the strategies adopted or proposed to be adopted, the operations of the business etc.?	Profit	Business model	Onshore Structure	Management
19	A PE fund can invest in one investee company up to a maximum of _____ of the investable funds.	10%	15%	25%	20%
20	Technology based ventures have attracted maximum _____ investments.	Venture Capital	Private Equity	Hedge fund	None of the above
21	_____ include instruments convertible into equity shares or share warrants, preference shares, debentures compulsorily or optionally convertible into equity.	Debt instruments	Equity instruments	Equity linked instruments	None of the above
22	_____ is a fee charged by General Partner for managing the fund.	Carried interest	Interest	Management fee	Commitment fee
23	After due diligence, if the GP/fund manager is convinced that the proposal is viable, the fund manager and the entrepreneur negotiate the terms and conditions of financing. This is called as?	Deal structuring	Draw down	Distribution	Funding
24	Venture Capitalist is a _____ investor and usually a member of the firm's board of directors only until the investment is liquidated.	temporary	permanent	fixed	enduring
25	_____ represents investments in unlisted companies.	Hedge Funds	Venture Capital	Private Equity	None of the above
26	_____ is a wealthy individual willing to invest in a company at its earlier stages in exchange for an ownership stake, often in the form of preferred stock or convertible debt.	Angel Investor	Business Incubators	Seed Funds	None of the above
27	Who has to appoint a designated bank as per SEBI regulations?	Investee company	FVCI	Domestic PE fund	Domestic investor

28	_____ is the most common structure of VC/PE funds in India.	Company	LLP	Trust	None of the above
29	_____ method of valuation considers the entire stream of expected earnings of the investee company.	Net Assets Method	The Conventional Venture Capitalist Valuation Method	First Chicago Method	Discounted cash flow method
30	The risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss is called as _____.	Legal risk	Liquidity risk	Operating risk	Regulatory risk
31	Which trade-off is an effort to achieve a balance between the desire for the lowest possible risk and the highest possible return?	Risk	Return	Risk Return	Dividend
32	Category I and II Funds have to submit a report in a prescribed format on a quarterly basis. The report is submitted to ?	Trustee	SEBI	RBI	Registrar
33	_____ structure is of recent origin in India.	Trust	Company	Body corporate	Limited Liability Partnership (LLP)
34	Which multiple is commonly based on an assumption as to the 'normalised' level of earnings that can be generated from the revenue?	Income	Revenue	Sponsor	Profit
35	The life cycle of a PE Fund begins with fundraising and ends with distribution of returns to investors after the _____.	Exit	Investment	Holding	Formation
36	Who notified the Alternative Investment Funds Regulations ?	FEMA	RBI	SEBI	Registrar
37	VC/PE funds in India can be structured as ?	Company	Trust	LLP	All of the above
38	Who is in charge of the administration of the trust and may be entitled to a trust ship fee?	Manager	Trustee	Investment manager	Sponsor
39	Who is appointed by the trustee to manage the schemes/ funds launched by the Trust?	Manager	Investment manager	Sponsor	Contributor
40	Which of the following are advantages of the Trust structure of VC/PE?	Flexibility	Asset protection	Liquidation	All of the above
41	By nature, Venture Capital and Private Equity are _____ term but self liquidating.	short	long	both short term and long term	None of the above
42	Which of the following are disadvantages of the Trust structure of VC/PE?	High cost of setting up	Complex structure	Strict adherence to Trust Deed	All of the above
43	Trust is a _____ legal structure.	Flexible	Complex	Easy	Simple
44	A LLP is a _____ former and incorporate under the Limited Liability Partnership Act, 2008.	Company	Body corporate	Partnership Firm	Trust
45	The act or process of assessing value or price is called?	Valuation	Structuring	Balancing	Management
46	Valuation of Private Equity investments is often _____, being complex to assumptions and methodology.	easy	flexible	difficult	None of the above
47	_____ involves deriving the value of a business by calculating the present value of expected future cash flows.	Discounted Cash Flows method	Net Assets method	Revenue Multiplier method	First Chicago method
48	Under _____ method, three alternative scenarios are considered for valuation, i.e. The best scenario, Moderate/medium scenario, Worst scenario.	Revenue Multiplier method	First Chicago method	Discounted Cash Flows method	Net Assets method
49	_____ is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.	Market Price	Face Value	Book Value	Fair Value
50	The risk of default in payment of interest or principal on a specified date is called as?	Market Risk	Credit Risk	Liquidity Risk	Operating Risk
51	For high net worth individuals and institutional investors, _____ is an attractive investment option.	Private equity	Investing	Hedging	Speculation
52	In which option promoters cannot sell shares to any identified third party before offering the shares to the investor?	Tag along rights	Drag along rights	Right of First Offer	Right of First Refusal
53	Bank debts are _____.	Junior debts	Senior secured debts	Junior unsecured debts	Junior secured debts
54	Which is a common investment strategy among PE firms in emerging markets?	Seed funding	Buyout	Distress fund	Bridge financing
55	In which Private Equity Strategy a group of firms called a conglomerate or investor group acquire the target company using debt instruments for the majority of the purchase price?	Leveraged Buyouts	Mezzanine Capital	Growth Capital	Distressed Debt

56	Which of the given word means half, middle or lower?	Leverage	Mezzanine	Distress	Buyout
57	What refers to an examination of a potential investment to conform all material facts of the prospective business opportunity?	Due Diligence	Fund of Funds	Special situations investing	Buyout
58	Advice in the areas of anti corruption, cyber security are part of ?	Legal Due Diligence	Special situations investing	Special Purpose Vehicle	Inspection
59	Under _____, the lender has a right of ownership of the borrower's shares in case the latter fails to pay back the fund in full and on time.	Growth Equity	Mezzanine Financing	Leveraged Buyouts	Distressed Debt
60	The purpose of _____ is to allows companies to make large acquisitions without having to commit to a lot of capital.	Leveraged Buyouts	Growth Equity	Mezzanine Financing	None of the above
61	_____ expects to emphasize investments in existing private companies that are expanding through growth strategies or stages of business cycle.	Private equity	Corporate Finance	Venture Capital	LBO
62	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	Asset purchase	Stock purchase	Venture Capital	Special Investing
63	_____ managers have wide latitude to trade across the capital structure.	Distressed	Investment	Buyout	Debt
64	Which type is a hybrid of debt and equity financing that is typically used to finance the expansion of existing companies?	Distressed Debt	Growth Capital	Leveraged Buyouts	Mezzanine Capital
65	Opportunistic _____ is about making investments in situations in which companies are undergoing, or likely to undergo bankruptcies, or other extraordinary situations	Leveraged Buyouts	Growth Capital	Distressed Debt	Mezzanine Capital
66	Investment proposal are first _____ to eliminate those that are unpromising or that fail to meet the partnership's investment criteria.	screened	analysed	evaluated	detected
67	The process of raising funds by a PE firm involves getting capital commitments from investors/ limited partners, which is then deployed or invested, is called as?	Dry powder	Tranche	Debt assumed	None of the above
68	Raising new loan to pay out (retire) an existing loan is called as?	Refinanced Debt	Debt Assumed	Restructure Debt	High Yield Debt
69	_____ are known as unsecured notes or unsecured debt.	Refinanced Debt	Debt Assumed	Restructure Debt	High Yield Debt
70	Debt that a company agrees to take responsibility for when it buys another company is called as ?	Debt Assumed	Restructure Debt	Refinanced Debt	High Yield Debt
71	The relationship between partners in LLP will be as started in the _____.	Limited Liability Partnership Agreement	Partnership Deed	Memorandum of Association	Trust Deed
72	The liability of the partners is _____ in case of LLPs.	contingent	limited	unlimited	None of the above
73	LLPs have the best characteristics of partnerships and _____.	body corporate	company	association	proprietor
74	The offshore fund is managed by an offshore _____.	Investment manager	Sponsor	Contributor	Trustee
75	HNIs, pension funds, insurance companies and other investors based in India are types of ?	Domestic investors	Offshore Structure	Foreign investors	Pure Offshore structure
76	_____ are governed by SEBI's Foreign Venture Capital Investors (FVCI) regulations.	Domestic investors	Onshore Structure	Foreign investors	Trusts
77	One of the advantages for the buyer in a secondary sale is _____.	Longer J Curve effect	Deeper J Curve effect	Shallower and shorter J curve effect	Longer and deeper J curve effect
78	In which strategy a company takes on significant additional debt for paying a large dividend or for repurchasing shares?	Leveraged recapitalization	Strategic sale	IPO	Secondary sale
79	In a secondary sale, PE investors sell their stake to ?	Promoters	Another PE fund	Management	Strategic sale
80	A sale of the portfolio company to another private equity firm, is also known as ?	Secondary sale	Buy back	IPO	Mergers and Acquisition
81	In _____, promoters have to first offer any shares that they want to sell to the PE investor before offering them to a third party.	Tag along rights	Drag along rights	Right of First Offer	Right of First Refusal
82	Making a public offer of shares of a company for the first time is called as _____.	IPO	Promoter Buyback	Stake Swipe	Mergers and Acquisition

83	_____ exit strategy is the most preferred exit strategy among private equity players.	IPO	Promoter Buyback	Stake Swipe	Mergers and Acquisition
84	What is a combination of two or more entities into one; the desired effect being not just the accumulation of assets and liabilities of the distinct entities, but organization of such entity into one business?	Secondary sale	Buy back	Merger	Public offering
85	Preparing an investor company for an IPO can be very _____.	effortless	time saving	time consuming	easy
86	_____ gives high visibility to the investee company.	IPO	Leveraged recapitalization	Stake Swipe	Promoter Buyback
87	SEBI has stated that an _____ company making an IPO has to obtain an IPO grading from at least one credit rating agency.	listed	unlisted	limited	unlimited
88	The first step in the IPO Exit process is ?	Planning the IPO	Selection and appointment of lead merchant banker and underwriter	Due diligence	Pricing
89	The process of Buyback by Promoters starts with _____.	Planning the IPO	Appointing a legal consultant	Negotiating	Understanding the financing options
90	_____ are rarely enforced by PE investors	Trade sale	Drag along rights	Tag along rights	ROFR
91	_____ refers to sale to a strategic investor	Trade sale	Secondary sale	IPO	Buyout
92	Sale to another PE fund is done in ?	Trade sale	Secondary sale	IPO	Buyout
93	Private equity funds typically have fixed life spans of about _____ years.	5- 6 years	8-10 years	7-9 years	10-12 years
94	When a fund exits its investment through an _____, it does so through an offering of shares to the public of either: the portfolio company or the parent holding company.	Promoter Buyback	IPO	Sale to other PE	Mergers and Acquisition
95	The _____ concern that an exit of the funds in the IPO tells investors that the company has limited upside, which is the wrong message to send.	Promoter	Venture capitalist	Sponsor	Underwriter
96	_____ is a comparatively small but growing sector of the private equity and hedge fund market.	IPO	Distressed Buyout	Promoter Buyback	Stake Swipe
97	_____ is a document which contains all the relevant information about the company, promoters, projects, financial details, objectives of raising the money, terms of the issue etc. and is used for inviting subscription to the issue being made by the issuer.	MOA	AOA	Offer document	ADR
98	_____ is a negotiable receipt that represents ownership of a foreign stock held in trust for an American citizen and that can be traded in dollars like shares of domestic companies.	GDR	ADR	both GDR & ADR	None of the above
99	_____ are those in which the non-U.S. company enters into an agreement directly with the U.S. depository bank to arrange for recordkeeping, forwarding of shareholder communications, payment of dividends, and other services.	GDR	Sponsored ADR	ADR	None of the above
100	J Curve is a _____ which exhibits a decline or drop in the initial stages, which steadily shows and increasing trend over time.	chart	graph	table	None of the above