

Time: 2.5 hours

Marks: 75

Notes: (1) All questions are compulsory subject to internal choice  
(2) Figures to right indicate marks.

Q1) (A) Multiple Choice Questions: (Any 8 out of 10) (8)

1. The term \_\_\_\_\_ refers financial investment in a highly risky and growth oriented venture with the objective of earning a high rate of return.
  - (i) Venture Capital
  - (ii) Merchant Banking
  - (iii) Leasing
  - (iv) None of these
  
2. Private equity is a \_\_\_\_\_ investment fund, as its current market price be easily determined and cannot be transferred for a certain period of time.
  - (i) Open Ended
  - (ii) Close Ended
  - (iii) Active
  - (iv) None of the above
  
3. \_\_\_\_\_ structure is generally used where domestic investors are also expected to participate in the fund.
  - (i) Offshore
  - (ii) Co-investment
  - (iii) Unified
  - (iv) Mezzanine
  
4. The \_\_\_\_\_ trade-off is an effort to achieve a balance between the desire for the lowest possible risk and the highest possible return.
  - (i) Risk
  - (ii) Return
  - (iii) Risk Return
  - (iv) Dividend
  
5. A \_\_\_\_\_ is a transaction that companies use to acquire other business.
  - (i) Private Equity
  - (ii) Corporate Finance
  - (iii) Venture Capital
  - (iv) LBO (Leverage Buy-out)
  
6. A sale of the portfolio company to another private equity firm, also known as a \_\_\_\_\_ in private equity.
  - (i) Secondary sale
  - (ii) Buy back
  - (iii) IPO
  - (iv) Mergers & acquisitions

7. \_\_\_\_\_ possess professional expertise and play a promotional role in organising a perfect match between the supply and demand for capital in the market.
- (i) Issuers
  - (ii) Investors
  - (iii) Intermediaries
  - (iv) Venture Capitalist
8. \_\_\_\_\_ capital is raised to buy equity stakes in high potential companies.
- (i) Venture Capital
  - (ii) Private Equity
  - (iii) Growth Capital
  - (iv) Mezzanine Capital
9. \_\_\_\_\_ is a hybrid of debt and equity financing that is typically used to finance the expansion of existing companies.
- (i) Private Equity
  - (ii) Mezzanine financing
  - (iii) Venture capital
  - (iv) LBO (Leverage Buy-out)
10. When a fund exits its investment through a/an \_\_\_\_\_ it does so through an offering of shares to the public.
- (i) IPO
  - (ii) Promoter Buy – back
  - (iii) Sale to other PE
  - (iv) Mergers & Acquisitions

**Q1) (B) Match the following: (Any 7)**

(7)

- | A                          | B   |
|----------------------------|---|
| a) Start up Financing      | 1) Domestic Investments                           |
| b) Co-investment structure | 2) Combination of Offshore & Domestic Investment. |
| c) Credit Risk             | 3) Human error                                    |
| d) Growth Capital          | 4) Sale to other PE firm                          |
| e) Due Diligence           | 5) Repurchase of shares                           |
| f) Secondary Sale          | 6) Funding for expansion                          |
| g) Promoter Buyback        | 7) Examination of potential investment            |
| h) Second stage Financing  | 8) Expansion Capital                              |
| i) Unified Structure       | 9) Launch Phase                                   |
| j) Operational Risk        | 10) Default in payment                            |

Q2) a) Define Venture Capital and state its features? (8)

b) Explain players in private equity market? (7)

**OR**

Q2) c) Distinguish between Private Equity & Venture Capital? (8)

d) Explain the role of Venture Capital. (7)

Q3) a) Explain Legal Structure of Venture Capital/Private equity in India. (8)

b) Explain business cycle of Private Equity. (7)

OR

Q3) c) Explain different types of Risk. (8)

d) Discuss various Valuation Approaches & techniques in  
Venture Capital/Private Equity. (7)

Q4) Explain Leveraged Buyout. (15)

OR

Q4) Explain Due Diligence in detail. (15)

Q5) a) Explain exit strategy - Sale to other Strategic Investors (8)

b) Explain Promoters Buyback. (7)

OR

Q5) Short Notes (Any Three) (15)

- a) Seed Financing
- b) Distressed Debt
- c) Discounted Cash flow method of Valuation
- d) Capital Risk
- e) Growth Capital

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