

**MASTER OF BUSINESS ADMINISTRATION  
(FINANCIAL MARKETS)  
(MBAFM)**

**Term-End Examination**

**December, 2013**

**MCT-082 : PRIVATE EQUITY AND VENTURE  
CAPITAL**

*Time : 3 hours*

*Maximum Marks : 100*

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- Note :* (i) *Attempt any five questions.*  
(ii) *All questions carry equal marks.*
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1. (a) What do you understand by venture capital? Describe its distinguishing features. 20  
(b) Explain some important exit routes available to a venture capitalist to exit from an investee company.
2. Illustrate a few attributes in a business plan looked at by a venture capitalist before deciding to invest. 20
3. What is due diligence? Highlight the various facets covered in the process. 20
4. Distinguish between conditional loans and convertible loans. Explain their significance. Also specify two modes of equity financing. 20
5. Write a short note on various stages of a business life cycle wherein the venture capital fund provides finance. 20
6. Explain in brief about the various valuation models used by Private Equity firms to evaluate the value of the target company. 20

7. Identify the value of ABC Ltd. with the under mentioned information. 20

	Amount in crores
Sales in year 1	518
Expected growth from year 1 to 5	10%
Expected growth from year 6	1%
EBITDA	10% of sales
Working capital needs	Increase by 10% of incremental sales
Capital expenditure	NIL
Debt	NIL
Tax rate	50%
Depreciation [Annually - SLM method]	10.8

The long term Risk free rate is 5%, Beta stands at 1.2 and Expected market return is 10%.

8. Write short note on **any two** of the following : 20
- Information memorandum and what does it consist.
  - Explain the investment process of a Venture Capital Fund.
  - Specify the skill sets required to be a successful fund manager.

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