



**STRATHMORE INSTITUTE
DIPLOMA IN ENREPRENUERSHIP
END OF SEMESTER EXAMINATION
DE1204: FINANCING YOUR BUSINESS**

DATE: 13th December 2018

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.

QUESTION ONE (COMPULSORY)

(30 MARKS)

In the last few months, there has been increased interest from investors looking to tap into Kenya's start-ups with the conviction that they could be a part of the next Google, Apple or Facebook. This crop of investors scouts for promising start-ups and companies with the potential for huge profits. The East Africa-focused funds are targeting high-growth small and medium enterprises in consumer-driven sectors. In exchange for much-needed capital and mentorship, investors negotiate for a share of the company, either for the short or long term. But in the last two years, there has been a growing disquiet. What initially appeared to be a promising opportunity for a number of start-ups to scale up their ideas is now turning out to be their biggest nightmare. A number of entrepreneurs claim they have been short-changed by some venture capitalists. A few have been fortunate enough to be able to buy back the stake held by investors, following what they term a mismatch of company vision and aspirations. (Standard media, December 3, 2003)

- a) From the exhibit, Entrepreneurs should be careful while selecting Venture Capitalists, analyze any FIVE factors they should put into consideration
(10 marks)
- b) Discuss any five factors that have hindered the growth of venture capital in Kenya
(10 Marks)
- c) Suggest measures that could be put in place for success of Venture Capital in Kenya
(10 marks)

QUESTION TWO

(15 MARKS)

- a) Enumerate any FIVE factors an Entrepreneur should consider when choosing a source of finance
(5Marks)
- b) Briefly explain any FIVE reasons that will make it very difficult for a business start up to get a loan from a commercial bank (10 marks)

QUESTION THREE

(15 MARKS)

- a) Explain clearly any FIVE reasons why going Public may not be the best option for a private company
(10 marks)
- b) Give any FIVE disadvantages of raising seed capital from friends and family
(5 marks)

QUESTION FOUR

(15 MARKS)

- a) Discuss any FOUR advantages of debt financing (8 marks)
- b) Give any four reasons why trade credit is popular in Kenya (4 marks)
- c) Highlight any three features of hire purchase transactions (3 marks)

QUESTION FIVE

(15 MARKS)

- a) Enumerate any four advantages of factoring (4 marks)
- b) List and explain any four conditions a business must fulfil to attract angel investor funding (8 marks)
- c) State any three reasons that will make the government to provide finance to businesses (3 marks)