



**STRATHMORE INSTITUTE
DIPLOMA IN ENTREPRENEURSHIP
END OF SEMESTER EXAMINATION
DE 1204: FINANCING YOUR BUSINESS**

Date: August, 15th 2023

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.
3. Do not write on the question paper.

QUESTION ONE

- a) Five years ago, venture capital firm K made an investment in a pharmaceutical company. The business has seen substantial growth and is now thinking about IPO as an exit strategy.
 - i. Mention and explain any **FIVE** advantages of this option (10 marks)
 - ii. List any other **TWO** options available to the venture capitalist (2 marks)
- b) Give any **FIVE** challenges that can arise when borrowing money from friends and family for business purposes (5 marks)
- c) Identify **FIVE** key factors that investors or backers think about before contributing to a crowdfunding campaign. (5 marks)
- d) Give any **FOUR** differences between venture capital and business Angels (8 marks)

(TOTAL 30 MARKS)

QUESTION TWO

A real estate company is experiencing a temporary cash flow shortfall and needs to secure short-term financing to meet its immediate obligations.

- a) Recommend any **THREE** available options (3 marks)
- b) For each of the options above, given **TWO** benefits and **TWO** risks associated with it (12 Marks)

(TOTAL 15 MARKS)

QUESTION THREE

- a) Define the term private placement (2 marks)
- b) Briefly explain any **FOUR** advantages of private placement (8 marks)
- c) Examine **FIVE** aspects that banks look at when determining a borrower's creditworthiness. (5 marks)

(TOTAL 15 MARKS)

QUESTION FOUR

- a) Give **FIVE** drawbacks of bootstrapping versus external financing for the business. (5 marks)
- b) Describe the **FIVE** key steps involved in carrying out a public placement (10 marks)

(TOTAL 15 MARKS)

QUESTION FIVE

- a) Examine any **FIVE** variables that might have an impact on startup's valuation. (10 marks)
- b) Enumerate **FIVE** potential consequences of relying on foolish investments for business funding. (5 marks)

(TOTAL 15 MARKS)