



**STRATHMORE INSTITUTE**  
**DIPLOMA IN ENTREPRENEURSHIP**  
**END OF SEMESTER EXAMINATION**  
**DE 1204 - Financing your business**

DATE: 14<sup>th</sup> AUGUST 2019

Time: 2 HOURS

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**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) Differentiate between the following pairs of terms:
  - i. Equity financing and debt financing (8 marks)
  - ii. Crowdfunding and traditional fundraising (6 marks)
- b) List and explain any 5 advantages of going public (10 marks)
- c) Enumerate any 6 (six) reasons why informal financial markets such as shylocks and merry-go-rounds (chamas), pawn brokers, credit societies, and traders has become so popular in Kenya (6 marks)

## QUESTION TWO

- a) List any 4 advantages of ordinary share capital (4 marks)
- b) List any three forms of security an entrepreneur can present to the bank when looking for short term loan (3 marks)
- c) Examine any four reasons why any entrepreneur will need funds (8 marks)

## QUESTION THREE

- a) Define the term Angel investor (1 mark)
- b) Briefly describe any three types of angel investors (6 marks)
- c) State and explain four ways in which angel investors differ from venture capitalist (8 marks)

## QUESTION FOUR

- a) Enumerate any 3 advantages of using retained earnings to finance business growth (3 marks)
- b) Discuss briefly any 6 factors an entrepreneur should take into consideration when choosing a source of finance (12 marks)

## QUESTION FIVE

Kisaju Ltd., an owner-managed company, has developed a new type of heating using solar power, and has financed the development stages from its own resources. Market research indicates the possibility of a large volume of demand and a significant amount of additional capital will be needed to finance production.

Advise Kisaju Ltd. on:

- a) Any four methods of finance likely to be most satisfactory to Kisaju Ltd. (8 marks)
- b) The advantages of a bank loan (7 marks)