

**CHUKA**



**UNIVERSITY**

## **UNIVERSITY EXAMINATIONS**

### **EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF ENTREPRENEURSHIP AND SMALL BUSINESS MANGEMENT**

#### **BENS 422: ENTREPRENEURIAL VENTURE CAPITAL**

**STREAMS: BENS**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 10/04/2018**

**11.30 A.M - 1.30 P.M**

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**INSTRUCTION:**

- **Answer question one and any other two questions**

1. (a) Define venture capital. [2marks]  
(b) Describe reasons for significant growth of venture capital in developed countries. [5marks]  
(c) Describe the different ways a venture capitalist may use to realize their initial investment in a company. [8marks]  
(d) Explain the different methods used by a venture capital to provide finance. [6marks]  
(e) The earnings per share of Uzuri company limited is ksh 12, the dividend payout ratio of the company is 75%. The net return of the company was ksh 250,000 while the company has equity worth ksh 750,000. The capitalization rate is 12%. Calculate the value of equity share capital. [4marks]  
(f) Jerusalem enterprises expects to make revenue of ksh 1,400,000 in year 5 . It also expects to incur revenue expenditure of ksh 135,000 and production costs of ksh 530,000 in the same year. A similar firm in the industry has a market price of ksh 25 and earnings per share of 5. The enterprise requires a funding of ksh 600,000. Jericho venture capital firm is interested in investing in the firm and can only incur a cost of capital of 20%. What percentage of the company will have to be given up to obtain the needed capital. [5marks]

2. (a) Venture capitalist carries out a number of activities. Describe any such activities. [6marks]
- (b) A venture capitalist may get many proposals funding by venture some are rejected while others are accepted. Describe the evaluation criteria used by venture capitalists. [8marks]
- (c) Explain any of the difficulties encountered by venture capitalists in providing finance for a venture. [6marks]

3. (a) An investor intends to diversity his investment and has decided to invest in 3 securities thereby creating a portfolio as follows:

Returns

X	Y	Z	Probability
7	12	6	0.3
5	10	5	0.5
3	8	9	0.2

- (i) Calculate the portfolio expected return if 20% is invested in X ,50% in Y and 30% in Z.
- (ii) Calculate portfolio risk. [12marks]
- (b) Outline the advantages of venture capital firm. [3marks]
- (c) Describe how a venture capital firm operates. [5marks]
4. (a) Define an angel investor. [2marks]
- (b) Describe the steps involved in investing in firms by venture capitalists. [12marks]
- (c) Financing needs are experienced at different levels by an enterprise. A venture capitalist may provide the finance to meet the demands of the enterprise. Discuss the finance needs at each level. [6marks]
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