Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER 3 – EXAMINATION – WINTER 2018

Subject Code:3539262 **Date: 10/12/2018**

Subject Name: Entrepreneurial Finance (EF)

Time:10:30 AM TO 01:30 PM **Total Marks: 70**

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Q.1		Explain the following terms. 1. Seed capital 2. Angle Finance 3. NBCR 4. The Venture Capital Assistance Scheme 5. NPV 6. WACC 7. Credit Guarantee Scheme	**14**
Q.2	**(a)**	"Proper Financial Planning is very crucial for the success of start up" do you agree? Justify your answer.	**7**
	(b)	Explain in detail Types of Financing in various Stages of Start ups.	**7**
		OR	
	(b)	What is Private Equity? Is there any difference between VC and PE? If yes highlight the differences.	**7**
Q.3	**(a)**	The financial ratios of your firm are as follows. Current ratio = 1.33, Acid-test ratio = 0.80, Current liabilities=40,000, Inventory turnover ratio =6 What is the sales of the firm?	**7**
	(b)	What is risk? Explain various types of macro and micro level risk associated with business.	**7**
		OR	
Q.3	**(a)**	What do you mean by ratio analysis? What are the advantages of such analysis? Also point out the limitations of ratio analysis.	**7**
	(b)	What is Venture capital Fund? State its advantages and disadvantages.	**7**
Q.4	**(a)**	Write a detailed note on "Government Schemes for Financing the startups."	**7**
	(b)	What are the various sources to fund short term or working capital requirement of a start up?	**7**
		OR	
Q.4	**(a)**	Write a note on funding especially available to women entrepreneur for setting up the startup and working capital requirement from Indian Government as a part of women empowerment movement.	**7**
	(b)	Prepare proforma of Projected cost sheet and Balance sheet	**7**

Q.5 Your are is considering two projects to start your venture , M and N. Each of which requires an initial outlay of Rs.240 million. The expected cash inflows from these projects are: **14**

Year	Project M	Project N
1	85	100
2	120	110
3	180	120
4	100	90

1. What is the payback period for each of the projects?
2. What is the discounted payback period for each of the projects if the cost of capital is 15 percent?
3. If the two projects are mutually exclusive and the cost of capital is 12 percent, which project would you invest in?
4. If the cost of capital is 13 percent, what is the modified IRR of each project?

OR

Q.5 Your firm ‘Madhu Corporation’ has the following book value capital structure: **14**

Equity capital (30 million shares, Rs.10 par)	Rs.300 million
Preference capital, 15 percent (1,000,000 shares, Rs.100 par)	Rs. 100 million
Retained earnings	Rs. 100 million
Debentures 11 percent (2,500,000 debentures, Rs.100 par)	Rs .250 million
Term loans, 13 percent	Rs. 300 million
Total	**Rs.1050 million**

The next expected dividend per share is Rs.4.00. The dividend per share is expected to grow at the rate of 15 percent. The market price per share is Rs.80. Preference stock, redeemable after 6 years, is currently selling for Rs.110 per share. Debentures, redeemable after 6 years, are selling for Rs.102 per debenture. The tax rate for the company is 35 percent.

Calculate the average cost of capital of your business using

1. Book value proportions, and
2. Market value proportions

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