

QUESTION BANK

TYBFM –SEMESTER VI

Venture Capital and Private Equity

1. _____ is a road towards a high growth economy.
 - a. Venture Capital
 - b. Merchant Banking
 - c. Leasing
 - d. Initial Public Offer (IPO)

2. _____ is needed for developing a product in the initial stages.
 - a. Seed Capital
 - b. Start-up Capital
 - c. Second Round Financing
 - d. Third Round Financing

3. _____ is a broad term that refers to any type of non-public ownership equity securities that are not listed on a public exchange.
 - a. Debt Capital
 - b. Mezzanine Financing
 - c. Private Equity
 - d. Public Listing

4. The Purpose of Valuation is to assess the _____ and viability of the venture and to divide of the percentage of the VCF ownership in the new venture.
 - a. Availability
 - b. Feasibility
 - c. Profitability
 - d. Capital

5. Which of the following regulator has issued guidelines for PE funds investment in insurance companies?
 - a) IRDA
 - b) RBI
 - c) SEBI
 - d) PFRDA
6. Which of the following is the investment phase of private equity?
 - a) Second phase
 - b) First phase
 - c) Third phase
 - d) Fourth phase
7. A sale of the portfolio company to another private equity is known as?
 - a) Merger
 - b) Primary sale
 - c) Buyback
 - d) Secondary sale
8. The analysis method in which analysis comes from the 'tree' like shape the analysis creates where each 'branch' is a particular decision that can be undertaken?
 - a) Decision tree Method
 - b) Discussion tree method
 - c) Directing tree method
 - d) Dual tree method
9. NPV stands for?
 - a) Net Present Value
 - b) National Present Value
 - c) Notional Present Value
 - d) Non Present Value
10. Company issue securities for the first time publically is called as?
 - a) Open market
 - b) IPO
 - c) Right issue
 - d) Bonus issue
11. In following method company offer securities to their existing shareholders?
 - a) Right Issue
 - b) IPO
 - c) FPO
 - d) Open market
12. Which of the following regulatory authority supervises and control banking sector in India?
 - a) SEBI
 - b) IRDA
 - c) PFRDA
 - d) RBI
13. Which of the following capital used to acquire other assets?
 - a) Acquisition capital
 - b) Merger capital
 - c) Takeover capital
14. Bridge financing is also called as?
 - a) Mezzanine finance

- b) Share capital
- c) Seed capital
- d) Preference capital

15. _____ are equity shares with special rights. For example, they may be entitled to a fixed dividend or shares of the profits.

- a. Ordinary Shares
- b. Preferred Ordinary Shares
- c. Preference Shares
- d. Debentures

16. _____ act as an intermediary to link up the sources of ideas and the sources of funds.

- a. Merchant Banking
- b. Leasing
- c. Venture Capital
- d. Equity Capital

17. Loan Financing that is halfway between equity and secure debt is provided by _____ Firms.

- a. Private Equity
- b. Mezzanine
- c. Public Listed
- d. Partnership

18. The Term _____ refers financial investment in a highly risky and growth oriented venture with the objective of earning a high rate of return.

- a. Leasing
- b. Venture Capital
- c. Merchant Banking
- d. Paid up Capital

19. Which of the following is generally the first capital invested by sources outside the firm, and the last to exit?

- a) Venture capital
- b) Borrowed fund
- c) Cash Flow
- d) Loan

20. Which of the following firm provides loan finance that is halfway between equity and secured debt?

- a) Term loan

- b) Mezzanine
 - c) Preferred ordinary share
 - d) Seed capital
21. The liability of general partner is?
- a) Limited
 - b) Unlimited
 - c) No liability
 - d) Lowest liability
22. Which of the following acts as an intermediary link between sources of idea and the sources of fund?
- a) Merchant banker
 - b) Credit Rating agency
 - c) Venture Capital
 - d) Term Loan
23. What is LBO?
- a) Leveraged buyout
 - b) Long borrowing
 - c) List Buyout
 - d) Limited buyout
24. _____ Financing is provided to the companies for expansion.
- a. First Stage
 - b. Second Stage
 - c. Third Stage
 - d. Acquisition
25. _____ involves an agreement between the venture capitalist and management of the terms of the term sheet, often called as Memorandum of Understanding (MOU).
- a. Negotiating Investment
 - b. Monitoring Process
 - c. Due Diligence
 - d. Evaluation
26. _____ provide finance by buying trade debts at a discount, either on a recourse basis or on a non-recourse basis.
- a. Merchant Bankers
 - b. Factoring Companies
 - c. Mezzanine Firms
 - d. Venture Capital

27. Second Stage financing is typically known as _____ because it finances the growth of expanding companies prior to an IPO.

- a. Bridge Financing
- b. Term Financing
- c. Seed Financing
- d. Loan Financing

28. _____ is the Initial Meeting between the venture capitalist and Entrepreneur and key members of management team for review of business plan and due diligence.

- a. Expansion Financing
- b. Preliminary Screening
- c. Acquisition or Buyout
- d. Buy Back

29. The Venture Capitalist is a _____ sharing together the risk and rewards.

- a. Financial Institution
 - b. Corporate Partner
 - c. Public Listed Company
 - d. Corporate Employee
- Correct Answer: Corporate Partner

15. _____ phase is known as the launch phase, whereby production is commenced and sales happens.

- a. Second stage financing
- b. Seed financing
- c. Start-up financing
- d. Expansion financing

16. _____ is the capital used to acquire other assets.

- a. Working Capital
- b. Public Capital
- c. Acquisition Capital
- d. Borrowed Capital

17. _____ are non-equity shares.

- a. Ordinary Shares
- b. Preference Shares
- c. Preferred Ordinary Shares
- d. Bonus Shares

18. In a venture capital deal _____ are shares usually held by the management and family shareholders rather than the venture capital firm.

- a. Preference Shares
- b. Preferred Ordinary Shares
- c. Ordinary Shares
- d. Hedge Funds

19. _____ principally provides overdrafts and short to medium term loans at fixed or variable rates of interest.

- a. Merchant Bankers
- b. Clearing Banks
- c. Finance Houses
- d. Factoring Companies

20. Private Equity is a _____ Investment fund, as its current market price cannot be easily determined and cannot be transferred for a certain period of time.

- a. Close Ended
- b. Open Ended
- c. Fund
- d. Active

21. _____ sits between public equity and outright ownership in terms of investment horizon and degree of corporate control.

- a. Venture Capital
- b. Private Equity
- c. Growth Capital
- d. LBO

22. _____ typically are made up of endowments, pensions, high net worth individuals and institutional capital.

- a. General Partners
- b. Issuers
- c. Limited Partners
- d. None of these

23. The Organized private equity market has three major players, Private Equity issuers, Intermediaries and _____.

- a. Government Companies
- b. Investment Managers
- c. Merchant Bankers

d. Investors

24. A _____ is a form of 'investment club' in which the principal investors are institutional investors such as pension funds, investment funds, endowment funds, insurance companies, family offices / high net worth individuals and funds-of funds, and private equity fund Managers.

- a. Debt fund
- b. Equity fund
- c. Private equity fund
- d. Private equity firm

25. _____ in private equity market vary widely in size and their reasons for raising capital as well as in other ways.

- a. Limited Partners
- b. Issuers
- c. Intermediaries
- d. None of these

26. _____ aims at reducing risk, enhance returns and minimize the correlation with equity and bond markets.

- a. Equity Funds
- b. Venture Capital
- c. Hedge Funds
- d. Private Equity

27. _____ is an open-ended investment fund where there is no restriction on the transferability of funds and assets are readily marked-to-market.

- a. LBO
- b. Private Equity
- c. Growth Capital
- d. Venture Capital

28. A sale of the portfolio company to another private equity is known as _____.

- a. Mergers
- b. Secondary Sale
- c. Buyback
- d. IPO

29. _____ Structure is generally used where domestic investors are also expected to participate in the fund.

- a. Offshore
- b. Co-investment

- c. Unified
- d. Mezzanine

30. Private equity funds typically operate as a limited partnership, which is controlled by a private equity firm referred to as the _____.

- a. Limited Partners
- b. General Partners
- c. Investment Partners
- d. Sleeping Partners

31. _____ Approach is used in determining the value by using one or more methods that convert anticipated economic benefits into a present single amount.

- a. Asset- Based
- b. Market
- c. Income
- d. Customer Based

32. The process by which the returned capital will be distributed to the investors and allocated between Limited and General Partner is Called as _____.

- a. Distribution Waterfall
- b. Carried Interest
- c. Valuation
- d. Private Equity Multiple

Correct Answer: Distribution Waterfall

33. _____ is used for providing funding to a Venture Capital.

- a. Equity and Debt
- b. Debt only
- c. Equity only
- d. Hedge Funds

34. Lock in period for money invested in Venture Capital is mostly for _____.

- a. 6 years
- b. 3 years
- c. 5 years
- d. 10 years

35. Private Equity is just a rebranded version of what were called _____.

- a. Leveraged Buyouts (LBO)
- b. Hedge Funds
- c. Merger & Acquisition
- d. Public Companies

36. The general partners earn a share of the profits of the fund, referred to as _____.

- a. Deferred Interest
- b. Accrued Interest
- c. Carried Interest
- d. Management fees

37. _____ Capital is raised to buy equity stakes in high-potential companies.

- a. Venture Capital
- b. Private Equity
- c. Growth Capital
- d. Mezzanine Capital

38. A _____ structure is combination of offshore and domestic investment, two separate pools of capital for offshore investors as well as domestic investors are been raised.

- a. Offshore
- b. Co-investment
- c. Unified
- d. Mezzanine

39. Which of the following is a partial exit strategy in which a company restructures its capital structure by portfolio company issuing new debt in order?

- a) Leveraged recapitalization
- b) Operation leverage
- c) Financial operation
- d) Leverage

40. Combination of one or more entities into one is called as?

- a) Takeover
- b) Merger
- c) Secondary market
- d) Primary market

41. The market deals with long term claims is called as?

- a) Primary market
- b) Money Market
- c) Capital market
- d) Stock market

42. Which of the following term refers to financial investment in a highly risky and growth oriented venture with the objective of earning a high rate of return?
- a) Merchant Banking
 - b) Venture capital
 - c) Leasing
 - d) Factoring
43. Which of the following is the example of primary market?
- a) IPO
 - b) Stock market
 - c) stocks
 - d) sale
44. The market refers to any of the purchase and sales of securities without any intervention is called as?
- a) Share market
 - b) Open market
 - c) Close market
 - d) Wide market
45. Private equity funds typically operate as limited partnership, which is controlled by a private equity firm referred to as the _____.
- a. Limited Partner
 - b. Sleeping Partner
 - c. Investment Partner
 - d. General Partner
46. Under _____ fund structure, an investment vehicle in the form of a limited liability company or limited liability partnership organized in an offshore tax favourable jurisdiction makes portfolio investments into Indian companies.
- a. Offshore
 - b. Co-investment
 - c. Unified
 - d. Mezzanine
47. In Unified structure, a domestic investment vehicle is established in India preferably as a trust in addition to the _____ fund.
- a. Mezzanine
 - b. Unified
 - c. Co-investment
 - d. Offshore
48. The _____ has unlimited liability with regard to third parties.

- a. Limited Partners
- b. General Partners
- c. Investment Partner
- d. Sleeping Partner

49. _____ is an investment period of Private Equity

- a. Phase One
- b. Phase Two
- c. Phase Three
- d. Phase Four

50. FEMA Regulations were passed in the year _____.

- a. 1969
- b. 1992
- c. 2000
- d. 1990

51. In _____ phase the General Partners conceptualize the investment strategy and offer capital raising to the potential investors on private placement basis.

- a. Investment Period
- b. Exit Stage
- c. Profit distribution
- d. Fund raising stage

52. _____ holds the shares of many private partnerships that invest in private equities.

- a. Private equity fund-of- fund
- b. Special Purpose Vehicle (SPV)
- c. Public Limited Companies
- d. None of these

53. As per Investment guidelines of SEBI FVCI Regulations at least _____ of the investible funds must be invested in unlisted equity shares or equity linked instruments.

- a. 80%
- b. 66.67%
- c. 50%
- d. 45%

54. _____ are extensively used by real estate investors to structure investments and also develop joint ventures.

- a. Exchange Traded Funds (ETF)

- b. Funds of Funds
- c. Special Purpose Vehicles (SPV)
- d. Hedge Funds

55. _____ prescribes the manner in which a foreign venture capital investor can make investments.

- a. SEBI Regulations
- b. FEMA Regulations
- c. Income- Tax Act, 1961
- d. Insurance Regulatory and Development Authority (IRDA)

56. In _____ stage, the capital is raised to buy equity stakes in high potential companies.

- a. Fund raising
- b. Investment Period
- c. Exit
- d. Winding up

57. The _____ prescribe the sectoral limits on foreign investments into India.

- a. FEMA Regulations
- b. SEBI Regulations
- c. Income Tax Act, 1961
- d. Credit Rating Agency

58. Venture capital is _____ type of AIF as per SEBI regulations.

- a. Category I
- b. Category II
- c. Category III
- d. Category IV

59. As per SEBI guidelines the minimum tenure of each scheme of a Private Equity fund is _____ years.

- a. Seven
- b. Two
- c. Three
- d. Five

60. Which of the following model where dividends continue to grow at a constant rate for an extended period of time?

- a) The Gordon Growth Model
- b) Zero Growth Model
- c) Market Comparable Method
- d) Venture capital method

61. Which of the following is a transaction of a company used to acquire other business?
- a) LBO
 - b) Growth fund
 - c) Distressed debt
 - d) Term loan
62. An activity by which investors support entrepreneurial talent with finance and business skills to exploit capital gain is called as
- a) Venture capital
 - b) Term loan
 - c) Borrowed fund
 - d) Bond
63. Which of the following is the combination of offshore and domestic investment?
- a) Unified Investment
 - b) Offshore Fund Structure
 - c) Co-investment fund structure
 - d) Share capital
64. Who among the following provides investment advisory services to private equity firms?
- a) Management company
 - b) Broker
 - c) Sub broker
 - d) Portfolio
65. _____ is the beneficial interest of an investor in an AIF
- a. Unit
 - b. Leverage
 - c. Corpus
 - d. Carried Interest
66. The purpose of _____ is to ensure that the start-up grows into a profitable business enterprise
- a. Business Incubators
 - b. Initial Public Offer (IPO)
 - c. Financial Institutions
 - d. Convertible Debentures
67. _____ are high net worth individuals.
- a. Venture Capitalist
 - b. Angel Investors
 - c. Fund Managers
 - d. Equity Share Holders

68. A _____ is a document which outlines the key financial and other terms of a proposed investment in a venture capital undertaking.

- a. Secured Premium Note
- b. Carried Interest
- c. Offer Document
- d. Term Sheet

69. Private Equity funds have been classified under _____ of Alternative Investment Funds by SEBI.

- a. Category IV
- b. Category III
- c. Category II
- d. Category I

70. Each Private Equity fund must have a minimum corpus of at least _____ Crore Rupees.

- a. 20
- b. 10
- c. 15
- d. 30

71. Expenses for Managing the fund including Management Fee falls under _____ Expenses.

- a. Extraordinary
- b. Operational
- c. Organizational
- d. Tax-Related

72. The Venture Capitalist or Private Equity Investors usually seek protection against dilution through _____.

- a. Ratchet Mechanism
- b. Representations and Warranties
- c. Investor Side Letters
- d. Investment Committee (IC)

73. The _____ is expected to compensate investors for giving up access to their capital.

- a. Seed Capital
- b. Illiquidity Premium
- c. Management Fees
- d. Loan Capital

74. The _____ concerns' expected earnings at the initial stage and also at the time of quitting.

- a. Lending
- b. IPO
- c. Revenue
- d. Borrowing

75. _____ Multiple is commonly based on an assumption as to the Normalised level of earnings that can be generated from that revenue.

- a. Income
- b. Revenue
- c. Sponsor
- d. Profit

76. _____ Valuation is the act or process of assessing value or price of financial asset or liability.

- a. Debenture
- b. Financial
- c. Share
- d. Business

77. There are three methods for _____ of Private Equity - Conventional method, first Chicago method and revenue multiplier method.

- a. Valuation
- b. Exit
- c. Funding Risk
- d. Investments

78. There are various types of risk involved in _____ such as counterparty risk, market risk, liquidity risk, legal, regulatory funding risk.
- a. Merchant Banking
 - b. Private Equity
 - c. Leverage Buy Out (LBO)
 - d. Growth Capital
79. The _____ trade-off is an effort to achieve a balance between the desire for the lowest possible risk and the highest possible return.
- a. Risk
 - b. Return
 - c. Dividend
 - d. Risk Return
80. _____ risk is risk of default in payment or interest or principal on a specified date.
- a. Legal
 - b. Liquidity
 - c. Regulatory
 - d. Price or Market
81. _____ Method involves deriving the value of a business by calculating the present value of expected future cash flows.
- a. Earnings Multiple
 - b. Price of Recent Investment
 - c. Discounted Cash Flows
 - d. Net Assets
82. Valuation techniques that are expected to be used to estimate fair value in the future should be evaluated using market inputs as of the date the investment was made. This process is known as _____.
- a. Calibration
 - b. Venture Capital Method
 - c. Net Assets
 - d. Multiple Growth Model
83. _____ risk is faced by investors in emerging markets if revenue is generated in local currency and loans are to be serviced in hard currency.
- a. Policy and Regulatory

- b. Exchange Rate
- c. Environmental
- d. Transaction

84. The Valuers should seek to understand any substantive differences that legitimately occur between the exit price and the previous fair value assessment. This concept is known as _____.

- a. Calibration
- b. Multiple Growth Model
- c. Earnings Multiple
- d. Back Testing

85. Venture Capitalist Method will value the entrepreneur's business and the amount of _____ that must be surrendered to the Venture Capitalist.

- a. Management Fees
- b. Loans
- c. Equity
- d. Carried Interest

86. The _____ method attempts to estimate a valuation based on the market capitalization of comparable listed companies.

- a. Market Comparable
- b. Decision Tree Analysis
- c. Venture Capital
- d. Discounted Cash Flow

87. _____ is mainly applied to value mature companies that are expected to grow at the same rate forever.

- a. Zero Growth Dividend Model
- b. The Gordon Growth Model
- c. Multiple Growth Model
- d. Price Earning Valuation Method

88. The Investor employs _____ method to identify whether the stock is dealing at a premium or at discount.

- a. The Gordon Growth Model
- b. Price Earning Valuation
- c. Zero Growth Dividend Model
- d. Multiple Growth Model

89. In Price Earnings Valuation Method, A higher than Average PE may mean that the market expects earnings to _____ in the future.
- Rise
 - Fall
 - Remain Unchanged
 - Fluctuate
90. Three alternative Scenarios of Success (Best), Sideways Survival (Base) and Failure (Downside) are part of _____ evaluation method.
- Conventional Venture Capitalist
 - The First Chicago
 - Revenue Multiplier
 - Zero Growth Dividend Model
91. In _____ method importance is given to the time of starting the investment and the time of leaving the investment.
- The First Chicago
 - Zero Growth Dividend Model
 - Revenue Multiplier
 - Conventional Venture Capitalist Evaluation
92. _____ provides a highly effective structure within which you can lay out options and investigate the possible outcomes of choosing those options.
- Decision Tree Analysis
 - Market Comparable Method
 - Discounted Cash Flow
 - Venture Capital Method
93. Survival is based on less growth and delays in bringing the projects to completion, necessitating _____ cost.
- Lower
 - Zero
 - Higher
 - Negative
94. _____ pays for the operating cost of the fund manager's business and any excess belongs to the partners of the fund management company.
- Carried Interest
 - Income Fee
 - Salaries
 - Bonus

95. Any Private Equity deal will primarily focus on the _____ valuation of the company.
- Post-Money
 - Exit Money
 - Pre-Money
 - Earnest Money
96. $\text{Post-Money Valuation} = \text{Pre-Money Valuation} + \text{_____}$.
- Price Per Share
 - Invested Capital
 - Profits
 - Inventory Valuation
97. _____ for private equity investments is still relatively small when compared to the total size of the private equity fund market.
- Secondary Market
 - Primary Market
 - Bond Market
 - Currency Market
98. _____ helps the companies 'Going Public'.
- Clearing Banks
 - Finance houses
 - Merchant Banks
 - Venture Capital
99. In India, the acquiring company can form a _____ which is a subsidiary of the acquirer with a minimum equity capital.
- Joint Venture
 - Fund of Fund
 - Sponsor
 - SPV
100. Lenders who are involved in mezzanine finance are _____ term investors.
- Long
 - Short
 - Medium
 - Quick

101. Which of the following entity has the legal power to act on behalf of the investment fund?
- General Partner
 - Limited liability partner
 - Unlimited liability partner
 - Bank
102. Which of the following regulatory authority will regulate and supervise the Foreign Venture capital investment route?
- SEBI (Venture capital funds) Regulations
 - SEBI (Foreign Venture Capital Investors) Regulations
 - RBI
 - IRDA
103. Which of the following is needed for developing a product in the initial stages?
- Seed capital
 - Second round capital
 - Merchant Banking
 - Leasing
104. Private equity strategies are often categorized according to the stage of the company and how the company_____.
- Liquidates capital
 - Utilises capital
 - Saves capital
 - Saves tax
105. Leverage Buyout is mainly financed by _____ to obtain the domination of a matured company.
- Bank Loan
 - Project Loan
 - IPO
 - FPO
93. A form of Buyout whereby a small portion of stakes will be held by the management and remaining by the private equity financing is known as_____.
- Partial Buyout
 - Equity Buyout
 - Private Equity Buyout
 - Management Buyout
94. _____ is usually known as bridge financing because it finances the growth of expanding companies prior to an IPO.

- a. Seed Financing
- b. Mezzanine Financing
- c. Acquisition or Buyout Financing
- d. Loan Financing

95. _____ are an excellent way for investors to gain a diversified exposure to the private equity asset class.

- a. Special Purpose Vehicle (SPV)
- b. Initial Public Offer (IPO)
- c. Fund of Funds
- d. Unified Investment Fund

96. The risk that the organization is exposed due to human error or mis-judgment is called as _____.

- a. Capital Risk
- b. Operational Risk
- c. Legal Risk
- d. Price Risk

97. In _____ the extent and terms of debt financing play a major role in structuring and completion of the transaction.

- a. Leverage Buy-Outs (LBO)
- b. Unified Investment Fund
- c. Co-Investment Fund
- d. Offshore Fund

98. To arrive at a standard market value, the fund managers calculate _____ using a standard method.

- a. Net Asset Value (NAV)
- b. Net Profit
- c. Gross Profit
- d. Revenue

99. _____ is the most vital section of the Business Plan and is usually written at last and includes the key fundamentals of the business plan.

- a. Exit Opportunities
- b. Marketing Analysis
- c. Financial Projections
- d. Executive Summary

100. Return on Investment (ROI) = Terminal Value ÷ _____

- a. Post -Money Valuation
- b. Pre -Money Valuation
- c. Operating Profits
- d. Net Sales

101. Venture capital is _____ type of AIF as per SEBI regulations.

- a. Category II
- b. Category I
- c. Category III
- d. Category IV

102. Private Equity investments are made in _____.

- a. Unlisted Equity Shares
- b. Listed Equity Shares
- c. Only Debts
- d. Preference Shares

103. Venture capital investment are usually made at _____ stage as compared to private equity.

- a. Later
- b. Earlier
- c. Expansion
- d. Contraction

104. As per SEBI guidelines, the minimum tenure of each scheme of a PE fund is _____ years.

- a. Seven
- b. Three
- c. Five

d. Two

105. _____ is the beneficial interest of an investor in an AIF.

- a. Unit
- b. Leverage
- c. Corpus
- d. Carried interest

106. _____ is a Category III type of AIF as per SEBI regulations.

- a. Hedge Funds
- b. Business Incubators
- c. IRR
- d. Angle Investors

107. _____ play the role of nurturing the business.

- a. Hedge Funds
- b. Business Incubators
- c. IRR
- d. Angle Investors

108. _____ is a minimum rate of return on the capital invested to be earned before the General Partner can earn carried interest.

- a. Hedge Funds
- b. IRR
- c. Angle Investors
- d. Hurdle Rate

109. The rate of discount at which the series of cash outflows and inflows are discounted and net present value of cash flows is zero is known as _____

- a. Hedge Funds
- b. Business Incubators
- c. IRR
- d. Angle Investors

110. HNIs who invest in very early stage of businesses _____

- a. Hedge Funds
- b. Business Incubators
- c. IRR
- d. Angel Investors

111. The investee Company paying the dividend has to pay _____.

- a. Capital Gains Tax
- b. Short Term Capital gains Tax
- c. Dividend distribution tax
- d. Long term Capital gains tax

112. Discounted Cash Flows (DCF) is a _____ approach of valuation

- a. Income Approach
- b. Market Approach
- c. Replacement cost Approach
- d. Multiples Approach

113. As per SEBI regulations a _____ has to appoint a designated bank.

- a. Investee Company
- b. FVCI
- c. Domestic PE fund
- d. Domestic investor

114. _____ is the most common structure of VC/PE funds in India.

- a. Company
- b. LLP
- c. Body Corporate
- d. Trust

115. _____ is known as measurement of risk from a behavioural point of view

- a. Sensitivity Analysis
- b. DTAA
- c. Standard Deviation
- d. Fair Value

116. _____ is a statistical measurement of risk

- a. Standard Deviation
- b. Fair Value

- c. DTAA
- d. Sensitivity Analysis

117. _____ is a form of investment club.

- a. Debt fund
- b. Private Equity Fund
- c. Money Market
- d. Capital Market

Correct Answer: Private Equity Fund

118. Second Phase financing is provided for _____

- a. Acquisition
- b. Beginning expansion
- c. Mezzanine financing
- d. Take over

119. _____ Structure is normally used where domestic investors are expected to participate in the fund.

- a. Co-Investment
- b. Unified
- c. Offshore
- d. Bilateral

120. Third phase of Private equity is called as _____

- a. Divestment Period
- b. Investment Period
- c. Negotiation Period
- d. Expansion Period

MODULE III & IV

Q. Fill in the Blanks with appropriate options:

121. Banks debts are _____ .

- a. Junior Debts
- b. Senior Debts
- c. Junior Unsecured Debts
- d. Junior Secured Debts

122. LBO Involves use of _____ to finance the acquisition of a company.

- a. Equity
- b. Cash

- c. Leverage
- d. Plant

123. _____ is the most preferred exit option among PE firms

- a. Trade Sale
- b. Strategic Sale
- c. Liquidation
- d. IPO

124. _____ is a common investment strategy among PE firms in emerging markets

- a. Seed Funding
- b. Buyouts
- c. Distress Fund
- d. Bridge Financing

125. Emerging markets are characterized by _____

- a. Conglomerates
- b. Large Organizations
- c. Family owned business
- d. Multinational companies

126. _____ expects to emphasize investments in existing private companies that are expanding through growth strategies or stages of business cycle

- a. Private Equity
- b. Corporate Finance
- c. Venture capital
- d. LBO

127. A _____, is a transaction that companies use to acquire other business.

- a. Private Equity
- b. Corporate finance
- c. Venture Capital
- d. LBO

128. In _____ option of LBO, shareholders simply sell their stock and all interest in the target company to the buying groups and then the two firms may be merged.

- a. Asset purchase
- b. Stock Purchase
- c. Venture capital

- d. Special investing

129. _____ is a hybrid of debt and equity financing that is typically used to finance the expansion of existing companies.

- a. Private Equity
- b. Mezzanine Financing
- c. Venture Capital
- d. LBO

130. Venture capital and growth capital both are parts of _____

- a. Private Equity
- b. Mezzanine Financing
- c. Venture Capital
- d. LBO

131. In India, the acquiring company can form a _____ which was a 100% subsidiary of the acquirer with a minimum equity capital

- a. Special Purpose Vehicle
- b. Private Equity
- c. Growth Capital
- d. LBO

132. LBO, growth capital, Mezzanine Financing are parts of _____ strategies.

- a. Private Equity
- b. Growth capital
- c. Seed Funding
- d. Bridge Financing

133. _____ popularly known as expansion capital provided to relatively mature companies that require money to expand that require money to expand or restructure operations or explore and enter new markets.

- a. Leverage buyouts
- b. Growth capital
- c. Due Diligence
- d. Special Purpose vehicle

134. _____ allow for the sale of companies that are in distress or going through a turnaround.

- a. Leverage buyouts

- b. Growth capital
- c. Due Diligence
- d. Special Purpose vehicle

135. _____ refers to an examination of a potential investment to confirm all material facts of the prospective business opportunity.

- a. Private equity
- b. Due Diligence
- c. Growth capital
- d. Mezzanine Financing

136. A leveraged buyout is a strategy involving the _____ of another company using a significant amount of borrowed money.

- a. Acquisition
- b. Sale
- c. Merger
- d. Liquidation

137. Due Diligence refers to an examination of a potential _____ to conform all material facts of the prospective business opportunity.

- a. Investment
- b. Trade sale
- c. Strategic Sale
- d. Seed Funding

138. In India, the acquiring company can form a SPV which was _____ % subsidiary of the acquirer with a minimum equity capital.

- a. 100
- b. 25
- c. 50
- d. 75

139. Leverage buy-out is acquisition of business by combination of debt and _____.

- a. Equity
- b. Debt
- c. Cash
- d. Assets

140. Growth Capital is also known as _____

- a. Expansion Capital
- b. Diversification Capital
- c. Human Capital
- d. Working Capital

141. _____ Funds focus on Companies that require funds for entering new markets

- a. Growth
- b. Distressed
- c. Equity
- d. Short-term

142. Private Equity Strategies are often categorized according to the stage of company and how the company utilizes _____

- a. Capital
- b. Land
- c. Labour
- d. Machinery

143. Corporate Finance expects to emphasize _____ in existing Private companies that are expanding through growth strategies

- a. Investments
- b. Strategic Sale
- c. Buyouts
- d. Liquidation

144. _____ Debt is defined as raising new loan to pay out an existing loan

- a. Refinanced
- b. Non- controlling
- c. Controlling
- d. High – Yield

145. In _____ target shareholders simply sell their stock and all interest in the target company to the buying group.

- a. Stock Purchase
- b. Refinancing
- c. Asset Purchase
- d. Debt Servicing

146. _____ is a hazy investment category residing between venture capital and buyouts.

- a. Growth Equity
- b. Mezzanine Capital
- c. LBO
- d. Distressed debt

147. The lack of free cash flow makes it difficult for the company to obtain _____ financing

- a. Debt
- b. Equity
- c. Medium term
- d. Short term

148. The main difference between venture capital and _____ is their risk profile and investment strategy.

- a. Growth equity
- b. Private equity
- c. LBO
- d. Distressed Financing

149. The word _____ refers to half middle or lower.

- a. Mezzanine
- b. Debt
- c. Equity
- d. All of the above

150. A private equity firm may offer mezzanine financing in the form of debt or preferred equity where return expectations are around _____ per year.

- a. 15%-20%
- b. 25%-30%
- c. 25%-75%
- d. 80%-100%

151. Companies will often search for other sources of capital before turning to mezzanine capital because it is _____

- a. Expensive
- b. Inexpensive
- c. Irrelevant
- d. None of the above

152. Under _____ financing the lender has a right of ownership of the borrower's share in case the latter fails to pay back the funds in full on time.

- a. Mezzanine
- b. LBO
- c. Distressed
- d. Growth

153. _____ debt is considered ant type of loan that is paid after all other corporate debts and loans are repaid, in case of borrowers default.

- a. Subordinate
- b. Senior
- c. Sub senior
- d. Junior

154. The _____ participation is a distinguished feature of mezzanine financing where one or more persons take an equity stake in a company, but without assuming any liability of the company's creditors

- a. Silent
- b. Loud
- c. Sleeping
- d. Active

155. Mezzanine Funds, due to their innovative structure are classified under _____ Capital

- a. Tier I
- b. Tier II
- c. Tier III
- d. Tier IV

156. Lenders willing to enter into the world of mezzanine financing tend to be _____ investors

- a. Long Term
- b. Short term
- c. Medium Term
- d. None of the above

157. _____ is a comparatively small but growing sector of the private equity and hedge fund market.

- a. Distressed debt
- b. LBO
- c. Mezzanine financing
- d. Growth Capital

158. Special situation strategies are also known as _____ strategies

- a. Turnaround
- b. Fund of Funds
- c. Bridge Financing
- d. PIPE deals

159. _____ is a fund set up to distribute investments among a selection of private equity fund managers, who in turn invest in capital directly.

- a. Turnaround
- b. Fund of Funds
- c. Bridge Financing
- d. PIPE deals

160. The Capital committed but yet to be invested is known as _____

- a. Dry powder
- b. Trade Sale
- c. Secondary Sale
- d. High-yield Debt

161. _____ is known as the sale of stake by a PE firm to another PE firm

- a. Mezzanine Capital
- b. Secondary Sale
- c. Trade Sale
- d. Dry Powder

162. _____ is known as the sale of stake by a PE firm to a corporate entity.

- a. Mezzanine Capital
- b. Secondary Sale
- c. Trade Sale
- d. Dry Powder

163. _____ is financing of businesses that have overcome the high risk stage

- a. Mezzanine Capital
- b. Secondary Sale
- c. Trade Sale
- d. Dry Powder

164. _____ invest in Portfolio Company

- a. Venture Capital
- b. Due Diligence
- c. LBO
- d. Growth Capital

165. _____ is defined as a change in a company's situation from one of losses or low profitability to one with higher profits

- a. Turnaround
- b. Bridge Financing
- c. Buying a stake
- d. PIPE Deals

166. PIPE stands for _____

- a. Private Investment in Public Equity
- b. Personal investment in private equity
- c. Private Interest in Public Equity
- d. None of the above

167. _____ debt is a comparatively small but growing sector of the private equity and hedge fund market.

- a. Mezzanine Capital
- b. Secondary Sale
- c. Trade Sale
- d. Distressed Debt

168. _____ involves the assessment of both the microeconomics and macroeconomics factors that can affect the earnings growth of the target company.

- a. Due Diligence
- b. Fund of Funds
- c. Trade Sale
- d. Distressed Buyouts

169. Many _____ are "blind" pools, meaning that exposure to particular underlying funds is not guaranteed.

- a. Due Diligence
- b. Fund of Funds
- c. Trade Sale
- d. Distressed Buyouts

170. Indian Private Equity Market has a _____ growth

- a. Fast
- b. Steady
- c. Slow
- d. Simple

Module IV

171. Private Equity funds typically have fixed life spans of about _____ years.

- a. 5-6
- b. 8-10
- c. 7-9
- d. 8-9

172. When a fund exits its investment through an _____ it does so through an offering of shares to the public of either the portfolio company or the parent holding company.

- a. IPO
- b. Promoter buyback
- c. Sale to other PE
- d. Mergers and acquisition

173. The _____ can easily look out for all for a Full exit from its investment in a relatively short time and for an easily demonstrated price

- a. Promoter
- b. Venture capitalist
- c. Sponsor
- d. Director

174. The _____ concern that an exit of the fund in the IPO tells investor that the company has limited upside, which is the wrong message to send.

- a. Promoter
- b. Venture Capitalist
- c. Sponsor
- d. Underwriter

175. A sale of the portfolio company to another private equity firm is also known as a _____ in private equity.

- a. Secondary sale
- b. BUY back
- c. IPO
- d. Merger & Acquisition

176. _____ is a partial exit strategy in which a company restructures its capital structure by Portfolio Company issuing new debt in order to be a special dividend to private investors or shareholders.

- a. Leveraged Recapitalization
- b. Secondary Sale
- c. Merger
- d. Trade Sale

177. A _____ refers to the buying and selling of an investor's ownership in a privately held, frequently venture-backed or private equity-backed, company.

- a. Leveraged Recapitalization
- b. Secondary Sale
- c. Merger
- d. Trade Sale

178. A _____ is a combination of two or more entities into one; the desired effect being not just the accumulation of assets and liabilities of the distinct entities, but organization of such entity into one business.

- a. Leveraged Recapitalization
- b. Secondary Sale
- c. Merger
- d. Trade Sale

179. The majority of venture capital exits have been achieved through _____, whereby company's shares are being sold to another company, perhaps in the same industry sector.

- a. Leveraged Recapitalization
- b. Secondary Sale
- c. Merger
- d. Trade Sale

180. One of the advantages for the buyer in a secondary sale is _____

- a. Longer J curve effect
- b. Deeper J curve effect
- c. Shallower and shorter J curve effect
- d. Longer and deeper J curve

181. _____ is a strategy where company takes on significant additional debt for paying a large dividend or for repurchasing shares.

- a. Leverages recapitalization
- b. Strategic Sale
- c. IPO
- d. Secondary Sale

182. In a secondary sale, PE investors sell their stake to _____

- a. Promoters
- b. Management
- c. Another PE fund
- d. Competitors

183. Sponsored _____ are those in which the non U.S Company enters into an agreement directly with a U.S. depository bank.

- a. ADR
- b. GDR
- c. IDR
- d. FDR

184. SEBI regulations state that _____ means any person who is engaged in the business of issue management.

- a. Merchant banker
- b. Private banker
- c. Credit Banker
- d. Investment banker

185. _____ is a document which contains all the relevant information about the company, promoters, projects, financial details etc.

- a. Offer Document
- b. MOU
- c. AOA
- d. GDR

186. Offer Document is also called _____ in case of a Public Issue.

- a. Prospectus
- b. Sale Certificate
- c. MOU
- d. AOA

187. _____ is the first step in exit process of private equity.

- a. Identification of exiting opportunity

- b. Designing exit process
- c. Preparation of exit process
- d. Conduct Process

188. Most of PE players _____ their investments assuming they have achieved predetermined goals.

- a. Sell Off
- b. Expand
- c. Exit
- d. Diversify

189. By increasing the value of sales EBITDA will _____

- a. Decrease
- b. Increase
- c. Will remain same
- d. Mismatch

190. An IPO provides a sponsor with _____ future liquidity.

- a. Increased
- b. Decreased
- c. High risk
- d. Low risk

191. _____ is scheme where in companies re-purchase their own shares.

- a. IPO
- b. Buyback
- c. LBO
- d. Buy out

192. A sale of the portfolio company to another private equity firm is also known as _____ sale.

- a. Primary
- b. IPO
- c. Secondary sale
- d. Open market

193. _____ brings about complete and immediate exit of private equity firm.

- a. IPO
- b. Sale to another PE fund
- c. Sale of strategic investors
- d. Due Diligence

194. A _____ is a combination of two or more entities in to one.

- a. Merger
- b. Acquisition

- c. Takeover
- d. Joint Venture

195. _____ refers to any of the purchase or sale of securities without any intervention.

- a. Takeover
- b. Amalgamation
- c. Open market
- d. Hostile takeover

196. _____ is a partial exit strategy in which company restructure the capital structure.

- a. Recapitalization
- b. Leveraged recapitalization
- c. Secondary sale
- d. Joint Venture

197. In leveraged recapitalization shareholders _____ control of the company.

- a. Remain in
- b. Losses
- c. Transfer
- d. Regains

198. If a company files the prospectus for IPO as well as pursue the trade sale the process is called _____

- a. Public offer
- b. Dual track
- c. Secondary sale
- d. Private Placement

199. Swap takes are the portfolio of _____ contracts.

- a. Forward
- b. Options
- c. Call
- d. Hedge

200. _____ can easily go for a full exit from investment in relatively short time.

- a. Sponsors
- b. Venture capitalist
- c. Promoter
- d. Merchant Banker

201. IPO is a _____ process.

- a. Easy
- b. Time saving
- c. Lengthy
- d. Simple

202. Leverage Buyout is mainly financed by _____ to obtain the domination of a matured company.

- a. Bank Loan
- b. Project Finance
- c. IPO
- d. FPO

203. In India, the acquiring company can form a _____ which is a 100% of subsidiary of the acquirer with a minimum capital for the purpose of LBO.

- a. Special Purpose Vehicle
- b. Hedge Fund
- c. Venture Capital
- d. Merchant Bank

204. Increased leverage result in _____ to private equity sponsor

- a. Increased financial return
- b. Decreased financial return
- c. Increased Savings
- d. Increased Investments

205. In LBO, capitalized value of cash flowing to debt is _____ than the same cash stream flowing to equity.

- a. Smaller
- b. Greater
- c. Equal
- d. Lesser

206. From seller's perspective, LBO is considered, because _____.

- a. It is only one way available.
- b. It is very quick
- c. It is Simple
- d. It gives desired price.

207. A form of Buyout whereby a small portion of stakes will be hold by the management and remaining by the private equity financing is known as _____.

- a. Partial Buyout
- b. Equity Buyout
- c. Private Equity Buyout
- d. Management Buyout

208. Growth equity is provided for the companies that require money for restructure operations or _____.

- a. Contract the existing market
- b. Explore the new market
- c. Reduce the size of business
- d. Reduce the number of markets

209. Growth equity investment is traditionally done in company's which have not take prior _____ investment.

- a. Institutional
- b. Bonds
- c. Debentures
- d. Equity

210. From the target company's perspective, growth capital is preferred when there is chance that EBITDA multiple might _____ the company.

- a. Undervalue
- b. Overvalue
- c. Not assign value
- d. Put into high risk category

211. Growth equity funds are typically _____ partnerships.

- a. Unlimited
- b. Limited
- c. Long term
- d. Medium term

212. Private and public listed company's selling part of the business is termed as _____

- a. Sale off
- b. Flip off
- c. Spin Off
- d. Cut off

213. Lack of free cash flow makes it difficult for the company to obtain _____.

- a. Growth Capital
- b. Mezzanine capital
- c. Equity finance
- d. Debt financing

214. Growth equity investors invest more in _____ industry

- a. Modern
- b. Small
- c. Medium
- d. Traditional

215. If one or more persons take an equity stake in the company without assuming any liability to the company's creditors, it is known as _____ in mezzanine financing

- a. Active
- b. Silent
- c. Sleeping
- d. Dormant

216. _____ are most common form of mezzanine financing which are unsecured.

- a. Subordinated debt
- b. Loans
- c. Margin Financing
- d. Securitisation

217. _____ loan are normal loans, but their interest is not fixed, but is provisional upon the results of business.

- a. Mortgage loans
- b. Participating loans
- c. Long term loans
- d. Short term loans

218. Holders of _____ bonds have right to acquire shares or other equity instruments of the company instead of accepting repayment

- a. Non-convertible
- b. Warrants
- c. Convertible
- d. Debentures

219. Mezzanine funding provides for _____ amount of funding than an asset backed loan

- a. Lower
- b. Similar
- c. Higher
- d. Shorter

220. Arranging for mezzanine finance is _____ process

- a. Simpler
- b. Easier
- c. Lengthy
- d. Short

221. The lender of Mezzanine financing is assuming _____ risk as compared to traditional lender

- a. Greater
- b. Lesser
- c. Similar
- d. No risk

222. _____ is a smaller but growing sector of private equity market

- a. LBO
- b. Expansion Credit
- c. Distressed Buyout
- d. Mezzanine finance

223. When a private equity firm purchases a financially weak company below market value with the intention of divesting the company in future for a higher value is known as _____.

- a. Distressed Buyout
- b. Collateralized loan
- c. Growth Equity
- d. Leveraged Buyout

224. _____ strategies involve, investor providing debt and equity investments, in the form of rescue financing.

- a. Fund of Funds
- b. Hedge financing
- c. Special Situation
- d. Endowments

225. Making investments in which companies are likely to undergo bankruptcies is _____.

- a. Opportunistic distressed debt
- b. Acquisition
- c. Takeover
- d. Growth Capital

226. Investing in Fund of Funds results in _____ of risk of investing in the private equity since they invest in variety of funds.

- a. Increase
- b. Avoiding
- c. Spread
- d. Decrease

227. _____ usually referred in the context of mergers and acquisitions before finalizing deal.

- a. Due diligence
- b. Company Analysis
- c. Fundamental Analysis
- d. Technical Analysis

228. Extensive due diligence in the private equity market is needed as _____ information available to the public about the company

- a. Extensive
- b. Exhaustive
- c. Collaborative
- d. Little

229. In the process of diligence, a schedule of the Company's _____ largest customers in terms of sale is utilized to study customer information.

- a. 12
- b. 15
- c. 20
- d. 50

230. Due diligence check list for start –up companies include Financial Information, Customer Information and details of _____.

- a. Income Statement
- b. Cash Flow Statement
- c. Fund Flow Statement
- d. Organization Goodwill

231. Due diligence is a _____.

- a. Mandatory test
- b. Reality Test
- c. Blind test

- d. Acid test

232. Second Stage Financing is provided to the companies for _____.

- a. Merger
- b. Acquisition
- c. Expansion
- d. Diversification

233. The _____ is a Corporate Partner sharing together the risk and rewards.

- a. Financial Institution
- b. Venture Capitalist
- c. Public Listed Company
- d. Corporate Employee

234. The Term Venture Capital refers to financial investment in a highly risky and growth oriented venture with the objective of earning a _____.

- a. High rate of return
- b. Low rate of return
- c. Moderate rate of return
- d. No rate of return

235. Negotiating Investment involves an agreement between the venture capitalist and management of the terms of the term sheet, often called as _____.

- a. Articles of Association
- b. Registration Certificate
- c. Memorandum of Understanding (MOU).
- d. Certificate of incorporation

236. _____ financing is typically known as Bridge Financing because it finances the growth of expanding companies prior to an IPO.

- a. Second Stage
- b. First Stage
- c. Third Stage
- d. Fourth Stage

237. _____ is a close ended Investment fund, as its current market price cannot be easily determined and cannot be transferred for a certain period of time.

- a. Mezzanine Finance
- b. Public Fund
- c. Growth Capital
- d. Private Equity

238. The Organized private equity market has three major players, Private Equity issuers, _____ and Investors

- a. Government Companies
- b. Investment Managers
- c. Merchant Bankers
- d. Intermediaries

239. The Organized private equity market has three major players, _____ , Intermediaries and Investors.

- a. Private Equity issuers
- b. Government Companies
- c. Investment Managers
- d. Merchant Bankers

240. Hedge Fund aims at reducing _____, enhance returns and minimize the correlation with equity and bond markets.

- a. Risk
- b. Return
- c. Capital
- d. Work

241. A _____ of the portfolio company to another private equity is known as Merger

- a. Sale
- b. Auction
- c. Buyback
- d. IPO

242. The process by which the returned _____ will be distributed to the investors and allocated between Limited and General Partner is called as Distribution Waterfall

- a. Capital
- b. Share
- c. Ownership
- d. Funds

243. The process by which the returned capital will be distributed to the investors and allocated between _____ and General Partner is called as Distribution Waterfall.

- a. Shareholders
- b. Customers
- c. Limited Partner
- d. Employees

244. The process by which the returned capital will be distributed to the investors and allocated between Limited Partner and _____ is called as Distribution Waterfall.

- a. Shareholders
- b. Customers
- c. General Partner
- d. Employees

245. Lock in period for money invested in _____ is mostly for 10 years.

- a. Money Market
- b. Venture Capital
- c. Equity Share
- d. Joint Venture

246. The _____ earn a share of the profits of the fund, referred to as Carried Interest.

- a. General partners
- b. Limited Partners
- c. Shareholders
- d. Vendors

247. Due Diligence refers to an _____ of a potential investment to confirm all material facts of the prospective business opportunity.

- a. Examination
- b. Verification
- c. Turnaround
- d. Sale

248. _____ is also known as Expansion Capital

- a. Growth Capital
- b. Diversification Capital
- c. Human Capital
- d. Working Capital

249. _____ takes are the portfolio of Forward contracts.

- a. Options
- b. Call
- c. Hedge
- d. Swap

250. _____ is a Reality Test

- a. Due diligence
- b. Fund of Funds
- c. Hedge financing
- d. Special Situation

