Exam in New Business Venturing (1851) **26.4.2014**

Time: 4 hours

Examinator: Tom Lahti

Answer five of the six questions!!

1. Briefly define six of the following eight terms

a) Flat round 2p

b) Drag along right 2p

c) Crowd funding 2p

d) Liquidation preference 2p

e) Carry 2p

f) Risk factor summation method 2p

g) Business angel network 2p

h) Sweat equity investment 2p

2. a) Briefly explain the main exit vehicles in venture capital funding (max 0.5 page) 6p

b) How does a vesting provision work? What are its implications for the entrepreneurs (founders)(max 0.5 page) 6p?

3. a) What are the benefits of syndicating (co-investing) investments (max 0.5 page) 6p?

b) What are the main ingredients making up the return requirement (discount factor) in venture capital investments (0.5 page) 6p?

4. How can venture capitalists reduce the risk of investing in businesses and entrepreneurs of poor quality (adverse selection) 12p (max 2 pages)? inv later diluting contract co-investing value added

5. What are the primary differences between angel investments and VCs' investments? Explain reasons behind these differences 12p (max 2 pages).

6. Conduct valuation calculations where you report on ownership percentages and other relevant information (present results for both rounds/ there are no anti-dilution mechanisms in place):

An entrepreneur owns 100% of a company called Mobile Solutions Ltd. It first raises 4MEUR funding from the VC company Power investments. The pre-money valuation is 8.5MEUR. After two years it raises 2 MEUR, this time from the VC-company Impact Investment Partners. The pre-money valuation of the second round is 6 MEUR (12p)

Good Luck!