SET C

Your Roll No. ....

Sr. No. of Question Paper	:	7567
Unique paper code	:	2923072007 / 2923072014
Name of the Paper	:	Entrepreneurial Finance
Name of the Course	:	BBA FIA
Semester	:	VI/VIII
Duration	:	3 Hours
Maximum Marks	:	90

Instructions for candidates

i. *Write your Roll No. on the top immediately on receipt of this question paper*
ii. *Attempt Q1 and any four questions from the rest.*
iii. *Part of the questions to be attempted together*
iv. *Marks are indicated against each Question.*

Q1. A health-tech startup, HealthAI, based in Bengaluru, is raising multiple rounds of funding. It's Initial Situation (Year 0) is that Founders own 100% (10 lakh shares) and no revenue yet. It goes for **ROUND 1: SEED (Year 1)** for the Investment of ₹2 crore at the pre-money valuation: ₹8 crore and 1× Participating Liquidation Preference (no cap).

In **ROUND 2: SERIES A (Year 2)** - Investment: ₹8 crore at pre-money valuation: ₹32 crore. An ESOP pool is created = **10% (pre-money basis)** with Same liquidation preference.

ROUND 3: SERIES B (Year 3 – DOWN ROUND) - Investment: ₹10 crore; Pre-money valuation: ₹20 crore; **Full ratchet anti-dilution for Series A**

EXIT (Year 5) - Startup is acquired for **₹100 crore**

You are required to **5x6 = 30 marks**

a. Calculate **Post-money valuation & ownership at the end of Round 1.**
b. Adjust valuation for ESOP and Calculate new ownership (Founders, Seed, Series A, ESOP) after Round 2.
c. After Round 3 adjust Series A ownership using full ratchet and Compute revised cap table
d. If All investors have: **1× Participating preference (no cap)** then Calculate payout to: Series B; Series A; Seed; and Founders
e. If Exit happens at **₹25 crore,** how much founder will get?

Q2. Critically evaluate the statement: "Incubators create entrepreneurs, accelerators create scalable businesses." **15 marks**

Q3a. Explain key stages of startup financing (seed, early-stage, growth, late-stage) in details.

Q3b. Highlight challenges faced by startups in raising funds. **10 + 5 = 15 marks**

Q4. "Equity financing is expensive but flexible, while debt financing is cheaper but risky." Discuss this statement in the context of startups and evaluate the two alternatives. **15 marks**

Q5. Discuss the role of government initiatives in startup financing in India. Evaluate their effectiveness in promoting innovation and entrepreneurship. **15 marks**

Q6. Write short notes on the followings: **5x 3 = 15 marks**

a. Angel Fund
b. Private Equity
c. Accelerator
d. AIF
e. Compulsory Convertible Debenture (CCD)