



School of Business

Nurturing business innovators

**SEPTEMBER – DECEMBER 2015 TRIMESTER E
EXAMINATIONS FOR BACHELOR OF BUSINESS ADMINISTRATION (FINANCE)**

DAY PROGRAMME

BFN 308: ENTREPRENEURSHIP FINANCE AND INVESTMENT BANKING

DATE: DECEMBER 2015

TIME: 2 HOURS

INSTRUCTIONS

- i) Answer question one and any other two**
 - ii) Marks allocated to each question are shown at the end of the question**
 - iii) Arrange your work neatly and indicate the questions answered in the Examination booklet**
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QUESTION ONE: COMPULSORY (30 MARKS)

- a) Briefly explain Three (3) main sources of personal financing **(6 Marks)**
- b) Credit rating agencies use different approaches in forming and publishing their opinions. Differentiate between the following methodologies
 - i. Analyst Driven credit ratings **(4 Marks)**
 - ii. Model driven credit ratings **(4 Marks)**
- c) Write short notes on the following topics
 - i. Bootstrapping **(3 Marks)**
 - ii. Elevator Speech **(2 Marks)**
- d) Once a startup's financial needs exceed what personal financing can provide, debt and equity are the two most common sources of funds. Outline the three (3) fundamental steps that need to be taken while preparing to raise funds **(6 Marks)**
- e) Describe Five (5) roles of investment banks in relation to Initial Public Offerings **(5 Marks)**

QUESTION TWO

Investment banks in developed financial markets play a key role on leverage-buyouts. Answer the following questions.

- a) What is meant by a leverage buyout and what purpose does it serve (**6 Marks**)
- b) What are the distinct features of an LBO candidate (**4 Marks**).
- c) Briefly explain the merits expected from a leverage buyout and the demerits that may occur (**10 Marks**)

QUESTION THREE

- a) Financial globalization can lead to large benefits, especially in the financial system to emerging economies like Kenya. List and explain Five (5) benefits of financial services globalization with key emphasis on investment banking (**10 Marks**)
- b) Credit ratings are useful to different kinds of users. Discuss Five (5) users of credit ratings and explain why they use them (**10 Marks**)

QUESTION FOUR

- a) What do you understand by the term divestiture (**2 Marks**)
- b) Analyze the main reasons behind a divestiture (**8 Marks**)
- c) What are the advantages of issuing corporate bonds over other sources of financing (**10 Marks**)