



MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

P.O. Box 972-60200 – Meru-Kenya

Tel: +254(0) 799 529 958, +254(0) 799 529 959, + 254 (0) 712 524 293,

Website: info@must.ac.ke Email: info@must.ac.ke

University Examinations 2023/2024

THIRD YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR
OF FINANCE

BFS 3354: ENTREPRENEURIAL FINANCE

DATE: APRIL 2024

TIME: 2 HOURS

INSTRUCTIONS: Answer question *one* and any other *two* questions

QUESTION ONE (30 MARKS)

- a) Define Entrepreneurial Finance and explain its key components. (10 marks)
- b) Discuss how effective financial management contribute to the success of entrepreneurial ventures (5 marks)
- c) Explain how entrepreneurs identify, assess, and mitigate financial risks in their ventures. (5 marks)
- d) Explain the key concepts or principles that are essential in the field of Entrepreneurial Finance. (5 marks)
- e) How do these concepts influence decision-making for entrepreneurs, especially in the early stages of a startup (5 marks)

QUESTION TWO (20 MARKS)

- a) Explain the concept of bootstrapping in the context of start-ups and briefly discuss the advantages and challenges associated with it. (10 marks)
- b) Explain the key characteristics that distinguish venture capital and angel investing as a forms of external funding for start-up (10 marks)

QUESTION THREE (20 MARKS)

- a) How does it differ from traditional finance, and why is it crucial for startups to understand these differences

Year	Project A	Project B
0	(000)	(1800)
1	1400	400
2	800	600
3	450	800
4	4000	1000
5	6000	300

The cost of capital is 10%

- i) Calculate the NPV profiles for projects A and B (5 marks)
 - ii) Which project would you choose if the cost of capital is 12 percent for A and 24 percent B (5 marks)
- b) Discuss the financial risks associated with different capital-raising methods for startups (10 marks)

QUESTION FOUR (20 MARKS)

- a) Explain the strategies that entrepreneurs use to ensure positive cash flow, and how poor cash flow management can impact the survival of a startup. (10 marks)
- b) Discuss the financial tools that help entrepreneurs in planning and decision-making. (10 marks)

QUESTION FIVE (20 MARKS)

- a) Discuss the importance entrepreneurs to understand the intellectual property rights in enhancing the value of a startup. (10 marks)
- b) Explain the key taxation issues that startups and their investors need to be aware of and their impact on the financial planning and decision-making processes of a startup. (10 marks)