

SHORT ANSWER

- 1) You are a venture capitalist. Calculate the Profit Margin for 2014 for the company whose income statement is shown below (show work).

Starbucks Corporation (SBUX) - NasdaqGS ★ Watchlist

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54.57 ↑ 0.52 (0.96%) 4:00PM EDT

After Hours : **54.50** ↓ 0.07 (0.13%) 4:44PM EDT

Income Statement

Get Income Statement for:

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All numbers in thousands

Period Ending	Sep 28, 2014	Sep 29, 2013	Sep 30, 2012
Total Revenue	16,447,800	14,866,800	13,276,800
Cost of Revenue	6,858,800	6,382,300	5,813,300
Gross Profit	9,589,000	8,484,500	7,463,500
Operating Expenses			
Research Development	-	-	-
Selling General and Administrative	6,086,800	5,655,800	5,126,500
Non Recurring	(20,200)	2,784,100	-
Others	709,600	621,400	550,300
Total Operating Expenses	-	-	-
Operating Income or Loss	3,081,100	(325,400)	1,997,400
Income from Continuing Operations			
Total Other Income/Expenses Net	142,700	123,600	94,400
Earnings Before Interest And Taxes	3,223,800	(201,800)	2,091,800
Interest Expense	64,100	28,100	32,700
Income Before Tax	3,159,700	(229,900)	2,059,100
Income Tax Expense	1,092,000	(238,700)	674,400
Minority Interest	400	(500)	(900)
Net Income From Continuing Ops	2,336,400	259,700	1,594,500
Non-recurring Events			
Discontinued Operations	-	-	-
Extraordinary Items	-	-	-
Effect Of Accounting Changes	-	-	-
Other Items	-	-	-
Net Income	2,068,100	8,300	1,383,800
Preferred Stock And Other Adjustments	-	-	-
Net Income Applicable To Common Shares	2,068,100	8,300	1,383,800

2) An angel investor decides to invest \$100,000 for a 10% stake in your company. 3 months later a venture capital firm invests 1.2 million for a 17% stake in your business. What is the current valuation of your business? (Show work)

3) A firm has raised 5 million in Series A Funding. After the second year they have taken in \$500,000 in total revenue with the cost of revenue being \$250,000. After other expenses the firm is left with \$50,000 net income from the \$500,000 in total revenue. What total debt does the firm have at this point in time?

- 4) You are planning to start a startup and use Porter's 5 Forces to analyze the industry. You do not find any rivals and so report that the threat from rivalry among existing competitors does not exist and thus is low. Briefly discuss both why this may be a good thing and also why it may be a negative thing.

- 5) You have started a catering business that is doing well. Below are your costs for June. What is your total fixed costs for the month of June?

Costs for June, 2015	
Rent	\$2,400
Power	\$120
Food Costs (cost of goods sold)	\$3,000
Water Bill	\$60
Delivery Vans Payment	\$600
Other Supplies	\$60
Labor	\$3,200
Business Insurance	\$200
Deliver Vehicle Fuel	\$300
Phone and Internet	\$90

- 6) You are a venture capitalist who funded two separate companies. They are both seeking to increase market share. The first company is a social network based app that relies on users interacting who know each other or get to know each other over the app (think of a product like Instagram). The second company is a grocery delivery business that delivers to areas in their geographic region (currently 4 major cities). Discuss how you would market these companies and if you would use the same strategy for both of them.

LONG ANSWER

You are going to start a business of your choice. Choose one of the following.

- 1) A fashion and clothing store
- 2) A coffee shop or restaurant
- 3) A firm designing smart phones running the android operating system
- 4) A micro-brewery

Use what you have learned in class to assess the following questions. If you do not answer a question you will not receive credit for it so make sure to double check that you have in fact answered everything.

Part A: Discuss how you would assess the attractiveness of entering this industry.

Part B: Discuss how you would raise funding to support your business and justify why you chose this type of funding.

Part C: Discuss how you would use technology to improve your chances of success and also connect with your customers more efficiently.

