C. LONG ANSWER TYPE QUESTIONS

1. Explain the powers SEBI has been vested with for discharging of its functions efficiently.

Answer: SEBI has been vested with the following powers:

1. To make and approve by-laws of stock exchanges.
2. To enquire the stock exchange to amend their by-laws.
3. Inspect the books of accounts and call for periodical returns from recognized stock exchanges.
4. Inspect the books of accounts of financial intermediaries.
5. Compel certain companies to list their shares in one or more stock exchanges.
6. Levy fees and other charges on the intermediaries for performing its functions.
7. Grant license to any person for the purpose of dealing in certain areas.
8. Delegate powers exercisable by it.
9. Prosecute and judge directly the violation of certain provisions of the Companies Act.
10. Power to impose monetary penalties.

2. What are the features of venture capital finance?

Answer: Venture capital finance has the following features:

1. Equity: It is equity finance in relatively new ventures and new companies.
2. Long term: It is long-term investment in growth-oriented small or medium firms.
3. Skills: Venture capitalist also business skills to investee firms. This raises the chances of success of the emerging firm.
4. Risk: It involves high risk-return spectrum.
5. Private equity: It is a subset of private equity.
6. Involvement: The venture capital institutions make a continuous involvement in the business.

3. When can an entrepreneur seek venture capital financing?

Answer: An entrepreneur seeks venture capital financing under following circumstances:

1. High risk: Ventures which involve high risk due to various reasons like technological, creativity and innovation, etc. are subjected to high risk related to returns. Here the venture capitalist comes forward.
2. Seed funding: Seed money, is a form of securities offering in which an venture investor purchases part of a business. Interest of the venture capitalist for purchase of security is also a reason.
3. Expansion: If the entrepreneur wants to expand then he goes for venture capital.
4. Business skills: Lack of business skills also forces the entrepreneur to go for venture capital.

D. VERY LONG ANSWER TYPE QUESTION

1 .Explain the characteristics of angle investors.

Answer: Following are the characteristics of angle investors:

1. High net worth: Most angle investors are current or retired executives, business owners, etc. They have the knowledge, expertise, and funds to help start-ups.
2. High risk: Angle investors bear extremely high risk. They expect a very high return on investment which they are making.
3. Guidance: Most angle investors provide proactive advice, guidance, or mentoring services for the start-ups in its early days of the enterprises.
4. High returns: Angle investors also have objective to create successful companies by providing value creation, and guiding investors realize a high return on investments.
5. Experience: Angle investors have a sharp inclination to keep themselves updated to current developments in a particular business area and then mentor another group of entrepreneurs by making use of their precious experience.
6. Type of Investments: Most angles invest in small, start-up businesses with fewer employees. The arrangements are informal.
7. An individual investor: Angle investors are usually individuals.

E. HIGHER ORDER THINKING SKILLS
Question 2. Why it is said that "A venture capitalists investments are illiquid". Give reason.
Answer: Illiquid describes an asset or security that cannot be sold quickly. Uncertainly the asset value is associated with the investment. This can be due to economic instability or issues relating to the asset. If the asset value declines, it becomes an illiquid asset due to the unclear value. It can be hard to locate a market for these products. This may lead to loss of the money.

SECTION-E: SPECIALISED FINANCIAL INSTITUTIONS
A. VERY SHORT ANSWER TYPE QUESTIONS
1. What is the role of Specialized Financial Institutions in India?
Answer:

1. The role of Specialized Financial Institutions (SFIs) also called development banks make an important source of medium and long-term financing amongst all the financial institutions in India.
2. They generally provide finances to the business and they help in promotion of new industries/new entrepreneur.

2. Enumerate the types of Specialised Financial Institutions from where entrepreneur can access capital according to their need and requirements.
Answer:
A. At national level/All India development banks

1. Industrial Development Bank of India (IDBI)
2. Small Industries Development Bank of India (SIDBI)
3. Industrial Finance Corporation of India (IFCI)
4. Industrial Credit and Investment Corporation of India (ICICI)
5. National Bank for Agriculture and Rural Development (NABARD)
6. Industrial Investment Bank of India Ltd. (IIBI)

B. At state level

1. State Financial Corporation (SFCs)
2. Tourism Finance Corporation of India (TFCI)
3. State Industrial Development ,Corporations (SIDC)

3. When was SIDBI established?
Answer: SIDBI was established in April 1990, as a wholly owned subsidiary of IDBI, under the Small Industries Development Bank of India Act, 1990.

B. SHORT ANSWER TYPE QUESTIONS

1. Explain the need and importance of Specialized Financial Institutions in India.

Answer: As SFIs provide developmental finance, that is, finance for investment in fixed assets, they are also known as 'development banks' or 'development financial institutions'. Establishing of SFIs facilitated:

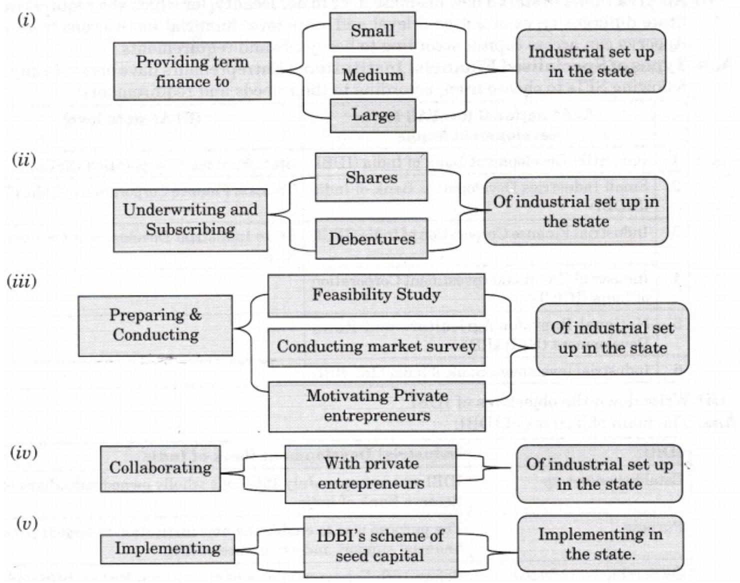
1. Provision of sufficient long-term funds in the desired sectors in accordance with planned priorities to the industrial units and entrepreneurs.
2. New and small entrepreneurs in setting up industry.
3. Development of: (i) Small scale industry, and (ii) Projects in backward areas.
4. Provision of technical and managerial advice to the entrepreneurs, facilitating thus, in identification, evaluation and execution of new investment enterprises.
5. Underwriting of and direct subscription to the issue of shares and debentures in the capital market of the upcoming ventures.
6. Establishment of enterprises which require extraordinarily large amount of finance for their projects with a long-gestation period.

2. Explain the objectives and functions of SIDC.

Answer:

1. SIDCs: The State Industrial Development Corporations (In-corporated under the Companies Act, 1956) were set up in different states as state government as companies wholly owned by them, the main objectives of SIDCs was promoting industrial development in all states of the countries.
2. At present, 22 such SIDCs are functioning in India.

The main functions of SIDCs are as follows:



3. Write the full form of and when it was established.

(a) SIDC

(b) TFCI

(c) SFC's

(d) NABARD

(e) IFCI

(f) IDBI

(g) ICICI

Answer:

	Full Form	When Established
(*a*) SIDC	State Industrial Development Corporation (SIDCs).	Incorporated under the Companies Act 1956, were setup in different states.
(*b*) TFCI	Tourism Finance Corporation of India (TFCI)	It was incorporated as a public limited company under the Companies Act, 1956 on 27 January, 1989 and became operational with effect from 1 February, 1989.
(*c*) SFC's	State Financial Corporations	First state financial corporation was established in Punjab in 1953.
(*d*) NABARD	National Bank for Agriculture and Rural Development	On 15th December, 1981 Bill was passed in the Parliament, which started functioning on 1st July, 1982.
(*e*) IFCI	Industrial Finance Corporation of India	IFCI was established as a statutory corporation on 1st July, 1948
(*f*) IDBI	Industrial Development Bank of India	July 1964
(*g*) ICICI	Industrial Credit and Investment Corporation of India	Established as a joint stock company in the private sector in 1955.

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