



## STARTUP FINANCE 18Q|16PE

**Q1. What is a startup and what are its key characteristics? (Important) (Past Exam)**

A. Startup financing means some initial infusion of money needed to turn an idea (by starting a business) into reality

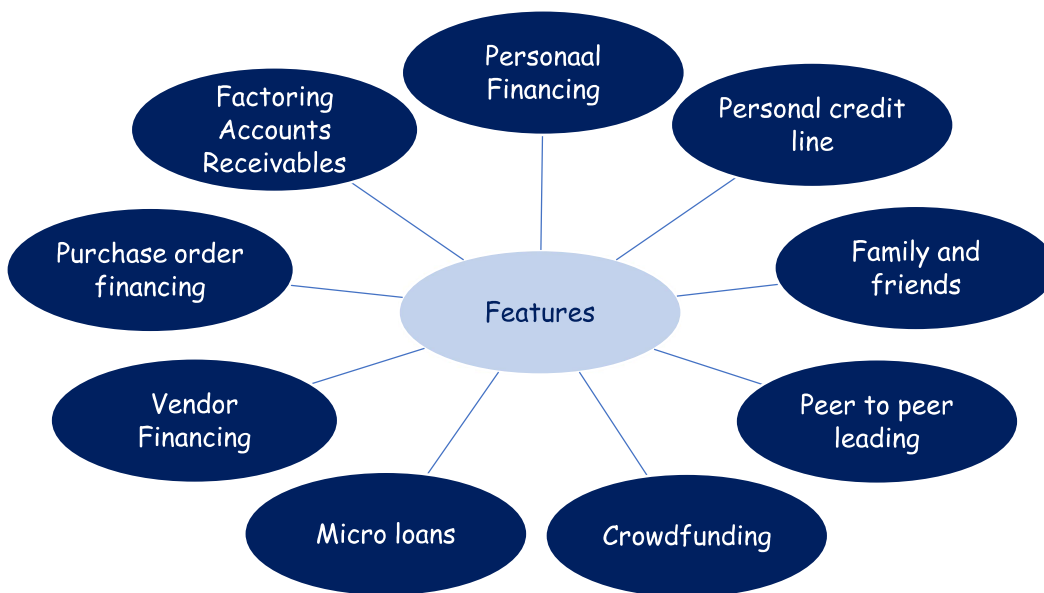
Characteristics:

- New innovative Business
- Started by Entrepreneurs
- Reach a large market
- Scale the Business / Sale out/ Die

**Q2. What are the sources / innovative sources of financing a startup? (Important) (Past Exam)**

A. Sources of Financing a Startup

Every startup needs access to capital, whether for funding product development, acquiring machinery and inventory or paying salaries to its employee.



**Personal Financing** - Most of the investors will not invest into a deal if they see that entrepreneurs have not contributed any money from their personal sources.

**Personal Credit lines** - One qualifies for personal credit line based on one's personal credit efforts. Banks are very cautious and grant it based on the business cash flow to repay the line of credit. Ex: Credit Card

**Family and Friends** - The loan obligations to friends and relatives should always be in writing as a promissory note or otherwise.

**Peer to Peer lending** - In this process, group of people come together and lend money to each other.

