

CFA® SAMPLE QUESTION – LEVEL I

Alternative Investments

Q: A portfolio manager has been researching a potential venture capital investment. The venture, firm XYZ, has just recently received patent approval for a new medicine, but has yet to begin production and marketing of this new product.

Which of the following best describes this stage of venture capital investing?

CORRECT ANSWER:**(a) First stage**

First stage financing refers to capital provided to begin manufacturing and sales.

Seed stage is prior to first-stage financing and involves providing capital for developing a business idea. Second-stage financing is used for expansion of a company that is already producing and selling a product. Third-stage financing provides for a major expansion of an existing corporation.



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