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Venture capitalists are responsible for the “boom and bust” cycle observed on the NASDAQ Composite Index since 1994. Discuss the extent to which this statement is true.

Consult and discuss academic literature on the role of venture capitalists in the growth of start-ups (Critical Evaluation, Academic Writing).

• Pay particular attention to how the following issues may contribute to a recipe for “boom and bust” cycles (Analysis, Comprehension, Critical Evaluation, Academic Writing).

- The venture capital business model.
- The types of shares and the deal terms that venture capitalists use in their investments.
- The structure of venture capital funds as 10-year limited partnerships and the “2 and 20” model for remuneration.
- The approach to valuation within the entrepreneurial finance sector.
- The relationship between venture capital fund managers and the entrepreneurial teams they back. Who decides when to exit?
- The pressure on venture capital fund managers to raise their next fund and how their behaviour is influenced by this.
- The factors which influence the supply of and demand for venture capital investment funds.



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