



BUSINESS STUDIES

BOOKS - SHREE RADHEY PUBLICATION

BUSINESS STUDIES (HINGLISH)

FINANCE & TRADE

Case Studies

1. Anshuman has been successfully running a financial consultancy firm for the past five years.

His company has become popular and enjoy good reputation. It has sufficient reserves of profit accumulated from last five years. He plans now to start branches in Bangalore and Mumbai also. For expanding business does not want any additional liability. In the above contex :

- I. Suggest the source of finance suitable to Anshumaan for expansion.
- II. Give any merits and Demerits of that source.



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2. Pink Pong Ltd. Is planning to float an issue of equity shares in the market in next six months. The directors of the company are also of the opinion that the company should raise some portion of funds from International Capital market through equity.

In context of above case.

(a) State any three merits of raising funds through equity shares.

(b) Explain the sources through which it can raise from International market through equity.



3. ABC Ltd. is planning to expand their business and need money. The finance manager reported that company is not in a position to bear extra burden of paying interest and equity shareholders insisted not to issue more shares as there is risk of losing control on issue of new shares in the market.

(a) Suggest a source of owner's fund suitable

in above case.

(b) State any two advantages of this source.



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4. Hine started a small sweet shop in Delhi under the name 'Mithai Wala'. Over the year, her business grew manifold by word of the month. Recently she procured a big export order. Although the exporter has promised to make some advance payments, Hine will still need some more funds to meet the working

capital requirement.

I. Suggest any two sources through which Hina can raise funds to meet working capital requirement.

II. Give two merits of each of suggested source.



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5. Enjoy Entertainment is a popular film entertainment company. Keep in view the growing culture of multiplex, its owners have

decided to make some changes in the interiors like creating a lounge area, installing more effective sound system etc. The company wants to raise the required for a period of more than one year but less than five years.

In context of above case.

I. Identify and explain the types of funds company seek to raise on the basis of Time period.

II. Give any two merits and demerits of that source.



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6. Identify sources of finance in the following case and also state one merit for each of the following:

(a) is a permanent source of capital.

(b) If facilitates the purchase of goods without making an immediate payment.

(c) This source puts a permanent obligation on the company to pay interest irrespective of profits.

(d) Their holders do not enjoy voting rights though they have the status of owners.



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Exercise Multiple Choice Questions

1. Debentureholders are called as:

- A. Employees of the Company
- B. Owner of the Company
- C. Creditors of the company
- D. None of the above

Answer: C



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2. Retained Earnings are also known as :

A. Capital

B. Ploughing back of profit

C. Surplus profit

D. Gross profit

Answer: C



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3. GDR can not be issued in which of the following country :

A. Canada

B. India

C. USA

D. China

Answer: C



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4. Who among the following are called owner of the company ?

A. Debenture holder

B. Employees

C. Directors

D. Equity share holders

Answer: D



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5. Preference shareholders get preference over equity share for :

A. Payment of dividend

B. Voting

C. Participation in management

D. None of these

Answer: A



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6. Public deposits can not exceed :

A. (a) 10 % of share capital and free reserves.

B. (b) 25 % of share capital and free reserves.

C. (c) 50 % of share capital and free reserves

D. (d) No limit

Answer: B



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7. Bills of Exchange is an Instrument of :

A. (a) CD

B. (b) Trade Credit

C. (c) Loan

D. (d) None of the above

Answer: B



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8. Who controls the company ?

A. (a) Debenture holder

B. (b) Employees

C. (c) Shareholders

D. (d) None of the above

Answer: C



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9. Which instrument saves tax ?

A. a) Equity Shares

B. b) Debenture

C. c) Retained Earnings

D. d) Preference Shares

Answer: B



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10. Which capital is used for buying current asset ?

A. Fixed Capital

B. Working Capital

C. Both of above

D. None of the above

Answer: B



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Very Short Answer Questions

1. Give the full form GDR,ADR



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2. State various sources of long-term funds.



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3. State various sources of short-term and medium-term funds.



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4. What are the preferences given to preference shareholders ?



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5. Name two sources of funds under owner's fund.



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6. Who are called the owners of a company ?



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7. Which deposits are directly raised from the public ?



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8. Name the first bank which issued IDR.



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9. What is the status of debentureholders ?



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10. Why are the financial institutions also known as Development Banks ?



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11. Name three national level financial institutions and state their objectives.



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12. In terms of tax benefits, which of the two: preference shares or debentures-will be preferred by the organisation ?



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13. Name the fund needed for day-to-day operations of business.



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14. Why are retained profit called self financing ?



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15. Name the source of finance, which is available in normal course of purchase of goods.



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Case Studies And Hots Higher Order Thinking Skills

1. Why is equity share capital collect risky capital ?



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2. As a source of finance, retained profit is better than other sources. Do you agree with this view? Give reasons to support your answer.



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3. The directors of a company have decided to set up a new plant at an estimated cost of

rupees ten crore. State the sources of finance available along with their merits.



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4. A company requires funds to meet its working capital. State the sources available along with their features.



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5. Because of festival season Bhuvan Garments received double orders. Advise the company the various sources of finance, which used to raise necessary finance for this purpose.



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6. Rajiv fashion, a reputed garment manufacturing unit needs to find its day to day expenses like wages, rent, given them credit for two months, so that he can get cloth

for making garments without making immediate payment. The supplies made an enquiry regarding Rajiv and found that his reputation of giving payment is not very good. In past the lenders were not very happy.

(a) What source of finance Rajiv is grant credit to Rajiv fashion house ?



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7. ABC Ltd. is planning to modernise its plant with latest technology. The company is not

having sufficient money. The finance manager plans to arrange money for 3 years as after three years, the company is expected a good return from their previous investment. The finance manager do not want to spend flotation cost and do not want to approach stock exchange.

(a) Suggest the suitable source of finance in above case.

(b) How can company approach public without spending on flotation cost ?

(c) State any two benefits of this source of finance.



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8. Identify the source of finance highlighted in the following cases.

(a) It is permanent source of capital and is not redeemed during the life of the company.

(b) It facilitates the purchase of goods and services without making immediate payment.

(c) In case of winding up of the company, the capital is refunded after payment of debentures but before payment of equity shares.

(d) This source put a permanent obligation on the company to pay interest every year irrespective of profits.

(e) Their holders enjoy right to vote and control the company.

(f) This source involve ploughing back of profit.



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9. ABC Ltd. is planning to expand their business and need money. The finance manager reported that company is not in a

position to bear extra burden of paying interest and equity shareholders insisted not to issue more shares as there is risk of losing control on issue of new shares in the market.

(a) Suggest a source of owner's fund suitable in above case.

(b) State any two advantages of this source.



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10. ABC Ltd. Is an auto spare parts manufacturing company. The company has issued equity and preference shares to meet its requirement. Other sources of finance have not been considered at all. This has resulted in payment of large amount of taxes to government as dividend on shares is not deducted from income of the company for the purpose of tax calculation.

(a) State the source of finance which can give benefit saving.

(b) State other factors which are kept in mind selecting source of finance.



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11. Identify the source of finance highlighted in the following cases:

(i) It refers to that part of profits that are kept as reserves for use in the future.

(ii) This source has characteristics of both equity shares and debentures.

(iii) It is the cheapest source of internal

financing.

(iv) It is a permanent source of capital and not redeemed during the lifetime of the company.



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12. State whether the following statements are true/false/ or partly true, giving reason to support your answer :-

(a) "A debenture is a long term source of permanent capital for a company".

(b) "Equity share capital may instead be

called as the risk capital of the company".

(c) "Seasonal factors have no impact on the working capital of a firm".

(d) "Commercial paper is a financial instrument denominated in India Rupees in the form of a depository receipt created by a Domestic Depository (custodian of securities registered with the Securities and Exchange Board of India) against the underlying equity of issuing company to enable foreign companies to raise funds from the Indian securities Markets."

(e) "Preference shareholders suffer from lack

of participation in decision making at the AGM of the company."



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Ncert Multiple Choice Questions

1. Equity shareholders are called

A. (a) Owners of the company

B. (b) Partners of the company

C. (c) Executives of the company

D. (d) Guardian of the company

Answer: A



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2. The term 'redeemable' is used for

A. (a) Preference shares

B. (b) Commercial paper

C. (c) Equity shares

D. (d) Public deposits

Answer: B



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3. Fund required for purchasing current assets is an example of

- A. (a) Fixed capital requirement
- B. (b) Ploughing back of profits
- C. (c) Working capital requirement
- D. (d) Lease financing

Answer: C



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4. ADRs are issued in

A. (a) Canada

B. (b) China

C. (c) India

D. (d) USA

Answer: D



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5. Public deposits are the deposits that are raised directly from

- A. (a) The public
- B. (b) The directors
- C. (c) The auditors
- D. (d) The owners

Answer: A



6. Debentures represent

- A. (a) Fixed capital of the company
- B. (b) permanent capital of the company
- C. (c) Fluctuating capital of the company
- D. (d) Loan capital of the company

Answer:



7. Internal sources of capital are those are

A. (a) Generated through outsiders such as suppliers

B. (b) Generated through loans from commercial banks

C. (c) Generated through issue of shares

D. (d) Generated within the business

Answer:



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Short Answer Questions

1. What is business finance ? Why do businesses need funds ? Explain.



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2. List sources of raising long-term and short-term finance.



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3. What is the difference between internal and external sources of raising funds? Explain.



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4. What preferential rights are enjoyed by preference shareholders ? Explain.



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5. Name any three special financial institutions and state their objectives.



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6. What is the difference between GDR and ADR ? Explain.



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Long Answer Questions

1. Explain trade credit as sources of short-term finance for business enterprises.



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2. Discuss the sources from which a large industrial enterprise can raise capital for financing modernisation and expansion.



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3. What advantages does issue of debentures provide over the issue of equity shares ?



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4. State the merits and demerits of public deposits and retained earnings as methods of business finance.



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5. Discuss the financial instrument used in international financing.



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Test Yourself Very Short Answer Type Questions

1. State the meaning of finance.



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2. Why do business enterprises need finance ?



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3. Explain different type of finance.



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4. What are retained earnings ?



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5. What are public deposits ?



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6. What is GDR ?



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7. Specify the objectives of IDBI.



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8. What do you mean by discounting of bills of exchange ?



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9. What is trade credit ?



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10. Explain any two merits of trade credit.



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11. What is a debenture ?



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12. What preferences are given to preferential shares ?



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Test Yourself Short Answer Type Questions

1. Explain different types of preference share which can be issued by a company.



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2. Describe in brief the features of equity shares.



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3. Differentiate between equity share and preference share.



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4. Make a comparative evaluation of shares and debentures.



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5. Differentiate between owner's fund and borrowed fund.



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6. Write a note on international sources of finance.



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7. Explain in detail the types of debentures a company can issue.



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8. Differentiate between cumulative and non-cumulative debentures.



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9. Describe briefly the loans from commercial banks.



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10. Discuss briefly Inter corporate deposit as a source of finance.



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Test Yourself Long Answer Type Questions

1. Explain any two sources of owner's fund.



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2. What are the advantage and disadvantages of issuing equity shares ?



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3. Write a note on international sources of finance.





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4. An established company has decided to expand its production capacity. It does not have adequate reserves to finance the expansion. Suggest with reasons any two other sources of finance for the company.



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5. Explain in brief the merits and demerits of trade credit.



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6. Explain the factors to be kept in mind before selecting a source of finance.



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