



INDIAN SCHOOL AL WADI AL KABIR

Class: XI	Department: Commerce
Worksheet: 02	BUSINESS STUDIES
Topic- DTQs	Chapter 7- SOURCES OF BUSINESS FINANCE

1	<p>Owner's funds are provided by the owners of the business and are known as capital in the case of sole proprietor, partnership, limited liability partnership etc. It is called share capital in the case of incorporated bodies like a company or co-operative society. Owner's funds also include the profits earned by the business that are reinvested in the business also called as retained earnings, ploughing back of profits or self-financing. The main features of these funds are that these are available for a longer duration and need not to be returned during the lifetime of the business. On the basis of these funds, the share of the owners in the management and ownership of the assets is decided.</p> <p>Answer the following questions on the basis of the above.</p> <ol style="list-style-type: none">What are the features of owners' fund?What advantages the owners' funds hold over the borrowed funds?
2	<p>Write short notes on</p> <ol style="list-style-type: none">LeasingFactoring
3	<p>Ayushi is successfully running a bakery shop in her residential colony for the past many years. She has wisely invested funds in different areas in order to ensure the smooth running of her business. She owns the manufacturing unit, whereas the shop through which she operates is on rent. Recently, she took a loan from the bank to install air conditioners and create provision for sitting for the customers by extending the shop area. Although she buys the majority of the ingredients like flour, sugar, oil on 15 days credit from the local suppliers but sales are made only in cash. In the context of the above case:</p> <ol style="list-style-type: none">Identify and explain the various external sources of finance that Ayushi has employed in her business.Distinguish between internal and external sources of funds.
4	<p>Ding Dong Ltd. is planning to float an issue of equity shares in the market in the next four months. The directors of the company are also of the opinion that the company should raise some portion of funds from international capital markets through equity. In the context of the above case:</p> <ol style="list-style-type: none">State any four merits of raising funds through equity shares.Explain briefly any one source through which Ding Dong Ltd. can raise funds through international capital markets.
5	<p>Priya runs a successful mobile app development company for 3 years. She wants to expand operations by opening offices in 5 new cities, hiring 200 employees, and purchasing advanced equipment worth ₹5 crores. Her current savings can cover only 30% of the expansion cost.</p> <p>Questions:</p> <ol style="list-style-type: none">Identify the type of capital requirement (fixed or working) Priya needs for her expansion.

	<p>Justify your answer with two examples from the case.</p> <p>2. Classify the various sources of funds available to Priya based on the period basis. Suggest which category would be most suitable for her expansion plans and why.</p> <p>3. Compare and contrast owner's funds versus borrowed funds in Priya's context.</p> <p>4. Analyse three external sources of funds that Priya can explore.</p>
6	<p>After completing the studies, Priyanka decided to start her own business of hand-made chocolates. After analyzing all the pros and cons, she concluded that the total funds required are ₹ 12,00,000. She had ₹ 2,00,000 in her savings bank account. As these funds were insufficient to start the business, she approached Axis Bank for obtaining a loan of ₹ 10,00,000. The loan was approved within a month. On the basis of the given case, answer the following questions:</p> <ol style="list-style-type: none"> Categorize the two types of funds on the basis of ownership. Out of the two sources of funds, which one is a permanent source of finance? Which source of funds requires a legal obligation to pay interest at a fixed rate at regular intervals?
7	<p>The Sharma family owns a popular restaurant that has been profitable for 5 years. They want to open 10 new outlets across different states, estimated cost ₹8 crores. They're considering converting to a private limited company to raise funds through share capital. Current business generates ₹50 lakhs annual profit.</p> <p>Compare debentures with equity shares as sources of long-term finance for the restaurant expansion. Consider factors such as cost, control, and risk.</p>
8	<p>Critically evaluate the statement: "Retained earnings is the cheapest source of finance for any business." Support your argument with relevant examples and considerations.</p>
9	<p>Hitesh started his business with a small sweet shop in Delhi under the name 'Swad'. Over the years his business grew manifold, by the word of mouth, and gradually became a household name in the savories and sweets segment. Recently, he procured a big export order. Although the exporter has promised to make some advance payments, Hitesh would still need more funds to meet the increased working capital requirements.</p> <ol style="list-style-type: none"> Suggest any two sources through which Hitesh can raise funds to meet the increased working capital requirements of his business. Give any two merits for each of the suggested sources of funds.
10	<p>ABC Ltd. is an electrical appliances manufacturing company. The company has issued equity shares and preference shares to meet its financial requirements. Other sources of finance have not been considered at all. This has resulted in payment of large amount of taxes to the government as dividend on shares is not deducted from income of the company for the purpose of tax calculation. State the source of finance which can give benefit of tax saving. What are the advantages of such sources of finance?</p>
11	<p>Bharat Ltd. A firm manufacturing textile, wished to diversify their business. They were considering two options, either to diversify into manufacturing toothpaste or switches. They wanted to invest in the purchase of land, to set up a manufacturing unit in the backward area of Kolkata. The finance manager of the company, Mr. Anurag was asked by the management to do financial planning by identifying the most suitable source of raising long-term funds for financing the investment decisions and short-term sources for working capital decisions.</p>

	<p>1. Identify and explain which of the following is not the long-term source of finance: a. Equity Shares b. Retained earnings c. ADR d. Public deposits</p> <p>2. Name and explain the source of finance having least financial risk on the business. a. Equity shares b. Public deposits c. Trade credit d. Debentures</p> <p>3. This is a short-term source of finance extended by one trader to another for the purchase of goods and services. It facilitates the purchase of suppliers without immediate payment. Identify the source of finance stated above and explain it: a. Retained earnings b. Trade Credit c. Commercial paper d. Subsidy</p>
12	What preferential rights are enjoyed by preference shareholders? Explain.