




INDIAN SCHOOL AL WADI AL KABIR

Class: XI	Department: Commerce
Worksheet: 01	BUSINESS STUDIES
Topic- OTQs/MCQs	Chapter 7- Sources of Business Finance.

1	<p>Which of the following statements is true regarding preference shares?</p> <p>A. Preference shares provide an unsteady income in the form of a flexible rate of return.</p> <p>B. Preference shares are preferably for investors with a high-risk appetite.</p> <p>C. Preference shareholders have voting rights.</p> <p>D. Preference shareholders enjoy a preferential position over equity shareholders.</p> <p>Options:</p> <p>a. Only A is true b. Only C is true c. Only D is true d. Only B is true</p>
2	<p>If share capital has to be repaid only at the time of liquidation and shareholders bear the risk of fluctuating returns, these shares are called:</p> <p>a. Preference shares</p> <p>b. Equity shares</p> <p>c. Sweat equity</p> <p>d. Fully paid shares.</p>
3	<p>If an organisation wants to increase its inventory level in order to meet expected rise in the sales volume in the near future, it may use _____ to, finance the same.</p>
4	<p>A highly profitable company wants to finance its expansion using internal sources. Which option represents internal financing?</p> <p>a) Bank loan</p> <p>b) Public deposits</p> <p>c) Retained earnings</p> <p>d) Debentures</p>
5	<p>Assertion (A): Commercial banks are a permanent source of funds for business.</p> <p>Reason (R): Bank loans generally have to be repaid within a specified period.</p> <p>a) Both A and R are true, and R is the correct explanation of A</p> <p>b) Both A and R are true, but R is not the correct explanation of A</p> <p>c) A is true, but R is false</p> <p>d) A is false, but R is true</p>
6	<p>Assertion (A): Equity share capital is called ownership capital.</p> <p>Reason (R): Equity shareholders are the owners of the company and have voting rights.</p> <p>a) Both A and R are true, and R is the correct explanation of A</p> <p>b) Both A and R are true, but R is not the correct explanation of A</p> <p>c) A is true, but R is false.</p> <p>d) A is false, but R is true</p>
7	<p>Give examples for the following.</p> <p>a. Fixed capital requirements</p> <p>b. Borrowed funds</p> <p>c. Owners funds</p> <p>d. Working capital requirements</p>

8	<p>A company issues 10% debentures to raise funds. Debentures carry a fixed rate of interest and need to be redeemed in the future. Which of the following is a key advantage of raising funds through debentures?</p> <p>A) Debenture holders have voting rights in the company</p> <p>B) Interest paid on debentures is tax deductible.</p> <p>C) It does not create a fixed financial burden on the company.</p> <p>D) Debentures do not need to be repaid.</p>																												
9	<div></div> <p>Identify the type of funds required for the projects in the above depicted image.</p> <ol style="list-style-type: none">1. Fixed capital2. Working capital3. Liquid funds4. Medium term finance.																												
10	<p>Match the following.</p> <table><tr><th></th><th>COLUMN - A</th><th></th><th>COLUMN - B</th></tr><tr><td>A</td><td>The unsecured short-term deposits made by a company with another company.</td><td>A</td><td>Debentures</td></tr><tr><td>B</td><td>These securities do not carry voting rights, financing through these securities do not dilute control of equity shareholders on management;</td><td>B</td><td>Public deposits</td></tr><tr><td>C</td><td>Besides providing funds, many of these institutions provide financial, managerial and technical advice and consultancy to business firms</td><td>C</td><td>Trade credit</td></tr><tr><td>D</td><td>The credit extended by one trader to another for the purchase of goods and services.</td><td>D</td><td>Preference shares</td></tr><tr><td>E</td><td>The organisation in return issues a deposit receipt as acknowledgment of the debt.</td><td>E</td><td>Inter Corporate Deposits (ICD)</td></tr><tr><td>F</td><td>This dilutes the claims of equity shareholders over assets of the company.</td><td>F</td><td>Financial institutions</td></tr></table>		COLUMN - A		COLUMN - B	A	The unsecured short-term deposits made by a company with another company.	A	Debentures	B	These securities do not carry voting rights, financing through these securities do not dilute control of equity shareholders on management;	B	Public deposits	C	Besides providing funds, many of these institutions provide financial, managerial and technical advice and consultancy to business firms	C	Trade credit	D	The credit extended by one trader to another for the purchase of goods and services.	D	Preference shares	E	The organisation in return issues a deposit receipt as acknowledgment of the debt.	E	Inter Corporate Deposits (ICD)	F	This dilutes the claims of equity shareholders over assets of the company.	F	Financial institutions
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11	<p>Which among the following is not an advantage of inter corporate deposits?</p> <p>a. The borrower company has to pay higher rates of interest than bank loans.</p>																												

	<p>b. The market maintains secrecy.</p> <p>c. The transactions are free from bureaucratic and legal problems.</p> <p>d. Solves problems of short-term funds insufficiency.</p>
12	<p>Balaji Traders Ltd. is a company that deals in the wholesale business of rice. It's Financial Manager, Mr. Ghanshyam Das Chatterji arranges unsecured short-term finance for the company through a commission agent. The rate of interest to be paid on this finance is more than the bank's rate of interest. For Mr. Chatterji, one of the great advantages of this finance was that its source was far away from Bureaucratic and Legal Hassles.</p> <p>Identify this source of finance.</p>
13	<p>Debenture holders are termed as _____ of the company.</p> <p>a. vendors</p> <p>b. suppliers</p> <p>c. debtors</p> <p>d. creditors</p>
14	<p>When a company issues such securities, the assets of a company are free to be mortgaged for the purpose of borrowings. Identify them.</p> <p>a. Bonds</p> <p>b. Debentures</p> <p>c. Equity shares</p> <p>d. None of these</p>
15	<p>“Obtaining loan from financial institutions increases the goodwill of the borrowing company in the capital market” State true or false.</p>