

Chapter-7

Sources of Business Finance

1 Mark Question

- Q1. What type of share capital is also called “Risk Capital”?
- Q2. Name the return given to debenture holders for using their funds?
- Q3. Name the one unique feature of “Retained Earnings” which is not available in any other source of finance?
- Q4. What is the similarity between ADR and Public Deposits?
- Q5. Which term is concerned with the acquisition and conservation of capital funds in meeting the financial needs of a business enterprise?
- Q6. Name the organization which have been set up by the central as well as State governments to provide medium term and long term loans to business sector.
- Q7. Write any one similarity between Equity share capital and Preference share capital.
- Q8. Write the names of 2 Indian companies that have issued G.D.R.s.
- Q9. Preference Share Capital is not suitable for which type of investors?
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- Q10. Define Share and write any two advantages of it.
- Q11. Write any two differences between share and debentures.
- Q12. Write any three limitations of equity share capital.
- Q13. Write any three advantages of Retained Earnings.
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Q14. Write main advantages and disadvantages of Public Deposits.

Q15. What is the difference between ADR and GDR.

Q16. Comment on the following sources of International finance

(i) I.D.R.

(ii) I.C.D.

Q17. "Ojas Auto Ltd. " is a very well known auto company in the industry having more of equity share capital than long term debt in its capital structure. It is willing to expand and establish new unit in the backward region and want to train the tribal women in skill Development to empower them. It has a huge amount of cash reserve of Rs. 1000 crores.

(a) what is the status of capital structure of the above company.

(b) According to you, which source of finance should be used by the company in establishing new units? Give any two reasons in support of your answer.

(c) What values does the company exhibit in the above case?

[Hints - Sound Capital Structure, Retained Earnings - Optimum Utilization of resources and no dilution of control, Balanced Regional Development& women empowerment]

Q18. "Avika Ltd." company, an IT giant company registered in India want to top the huge amount of resources for its growth and expansion from U.S.A.for long term needs. IT also needs money for a period of less then 3 years to meet its medium cum short term needs. The company is following the practice of educating and giving employment to under privileged youth.50% of its office electricity is generated through solar power.

(a) Which two sources of finance should be used by the company to meet its requirement. Write any two characteristics of each source.

(b) What values does the company exhibit in above case?

[Hints- ADR and Public Deposits, Employment Generation, Concern for environment]