

SUB : BUSINESS STUDIES REVISION SHEET

CHAPTER 7: SOURCES OF BUSINESS FINANCE

Q1. What preferential rights are enjoyed by the preference shareholders over equity share holders?

Q2. Why equity share capital is called risk capital?

Q3. Explain 'Ploughing back of Profits'.

Q4. What do you mean by Global Depository Receipts?

Q5. ABC Ltd. has a good reputation in the market, because of which the suppliers are supplying raw materials to ABC Ltd. without demanding immediate payment. Identify the source of financing being used by ABC Ltd. in this case. State two limitations of this source of financing.

Q6. Name the capital invested in permanent assets.

Q7. Directors of Kailash Ltd. decided to finance the expansion of the company by reducing the dividend payout to shareholders. Explain any two benefits of this source of financing. Also identify a major problem associated with this step taken by the Directors.

Q8. Akshata Ltd. is a public company. the Board of Directors of the company want to raise funds for expansion of the business. The source of financing should be such that it does not create burden on the company during the years of loss. Identify the source of finance that Akshara Ltd. can use. Also explain two advantages and two disadvantages of this source of financing.

Q9. (i) Bharat Ltd. needs funds of Rs.15 lakhs for undertaking current year's production. The company has retained earnings of Rs.10 lakh from previous year. To meet the requirement of balance funds the company has decided to take loan from the State Bank of India. Explain three merits of each source of funds used by Bharat Ltd. (ii) What are debentures? Explain three merits and two limitations of this source of funds.(3+3=6)

Q10. What is Inter Corporate Deposit? Explain its two advantages.

Q11. Ispat Industries Ltd. (IIL) was engaged in the manufacturing of hot rolled coils with a manufacturing capacity of 3.3 million tonnes per annum using the conarc process of steel making and the compact strip process – introduced for the first time in Asia. However it did not fare well right since its inception. As a result, its equity share capital was wiped out. The difficulties of IIL emanated from the financial imbalance. If this imbalance had continued for some more time the company would have been in deep trouble. Highlight the importance of Business Finance with reference to the above case.

Q12. Genpec Machineries Ltd.(GM) is engaged in manufacturing machine tools. These tools are used for variety of purposes. The company is making substantial profits every year. It is a debt free company having equity capital of Rs. 60 lakh and reserves of Rs. 145 lakh. It has current liabilities of Rs 35 lakhs which are mostly in the form of Bills Payable and trade creditors. GM wants to increase its manufacturing capacity substantially involving funds of Rs. 5 crores. The company can raise finance upto Rs. 1.4 crores from internal sources. Remaining funds are to be raised from external sources. To what extent should the required funds be raised from issue of additional equity shares and loans from commercial banks and what will be the implications of this type of financing?

CHAPTER 8: SMALL BUSINESS

Q1. Explain one function of District Industrial Centres.

Q2. Why does small business lack managerial skills?

Q3.

Name the small scale unit in which investment in plant and machinery does not exceed rest 25 lakhs.

Q4. Rohan has a manufacturing business. His total investment in the business is Rs.20 lakhs, excluding plant & machinery and land. Identify and explain the type of enterprise run by Rohan according to MSMED Act.

Q5. Explain any three incentives provided by Government to Small Businesses.

Q6. Describe the role played by NSIC and DIC in promoting small business units in India.

Q7. Abhishek decided to setup a sugar mill in a remote area. The sugar mill requires an investment of Rs. 2 cores in plant and machinery. He discussed with his father about the funds that he would require to start and run the business. His father suggested him to divide the financial need of his business in two categories. The first category of funds that Abhishek needed to start his business includes purchasing land for setting up a factory, construction of factory building, buying machines etc. All these items will lead to investment of funds for a longer period of time. Secondly, funds were also required to conduct day to day operations, for example, buying stock of sugarcane, paying wages, salaries, taxes etc. In fact, this requirement would increase if he decides to sell his product on credit basis instead of cash basis.

- (i) Identify the two categories of financial needs of business referred in the above case study.
- (ii) Identify and explain the type of enterprise setup by Abhishek according to the MSMED Act, 2006.
- (iii) What is the role played by these type of businesses in socio economic development of Indian Economy?

Q8. After completing a vocational course in entrepreneurship, Anand, Shubham and Deep decided to set up a small business using the skills they learnt in their course. However they are wondering what business to start, where to locate it, how to raise funds and so on. Their friend suggested them to start a small business of toy manufacturing in rural area as the Central and State governments provide financial and other assistance under the Rural Employment Generation Programme to the educated youth. Explain the incentives provided by the government to SSI's in rural and backward areas.

Q9. The path of small scale industries is full of hurdles." In the light of this statement, discuss the problems faced by small scale industries.

Q10. How would you differentiate between an ancillary unit and tiny unit?

CHAPTER 9: INTERNAL TRADE

Q1. Name the retailers who do not have a fixed place for business.

Q2. Name the large establishment offering a wide variety of products classified into well defined departments under one roof.

Q3. Discuss the advantages of retail store in which there are various departments in the same building and each department sells different types of commodities.

Q4. Differentiate between single line stores and speciality stores.

Q5. What do you mean by vending machine?

Q6. Which products are suitable for the purpose of retailing through mail order business?

Q7

"Both departmental stores and multiple shops are large retail establishments, yet they are different." Explain how

Q8. 'A retailer does not render any useful services to manufacturer and wholesaler.' Defend or refute.

Q9. Mayank owns an Export house. He manufactures and exports goods to different countries. Mayank's son Aryan owns a shop where he sells those goods which are rejected during the quality check in Mayank's manufacturing unit. Identify and explain which type of retailer is Aryan. Abraham started a business of manufacturing soaps. He had a very good network of distribution in the market. But his business could not succeed as he was not able to manufacture the desired quality of soaps. Abraham then decided to start a new business. He now purchases the entire production of soaps of Astha Pvt. Ltd. and sells it to various shop owners in Delhi. In this process he helps Astha Ltd. by providing various services. Identify the role of Abraham and also explain three services provided by him to Astha Ltd.

Q10. Explain the importance of a retailer to customers and wholesaler.

Q11. (i) Ramadan is a retailer who moves with a wheel cart in residential areas selling fruit and vegetables. Whereas Ashirith is a retailer who sells defective goods at discounted rates.

Identify the types of retailer referred above. (ii) 'Everyone's Choice' is a large retail store, setup by Krishna Ltd. The company has started this retail store to provide variety of goods to its customers. This store is located at a central place to attract more number of customers. Identify and explain the type of retail house is 'Everyone's Choice'. State and explain four limitations of this type of retail house.

Q12. Identify the types of retailers in each of the following cases: (i) A shop sell only paintings of different varieties. (ii) A large size establishment consisting of several departments with each department dealing in one product line. (iii) Network of retail shops selling shoes in different localities of every city of India under single ownership. (iv) Shops carrying a variety of products needed to satisfy the day-to-day needs of the consumers.

Q13. In Modern times, the importance of trade has increased as new products are being developed every day, consumers have higher expectations and want to select /choose from a wide variety of products. Business, therefore, has to satisfy consumers by making goods available at the right time and that too throughout the world. Manufacturers have been expanding their business operations and producing variety of products in large quantities. Their dependency on intermediaries or middlemen has increased, who act as major links between the manufacturers and consumers. Identify these middlemen and state their services towards the manufacturers.

CHAPTER 10: INTERNATIONAL TRADE

Q1. What is 'Bill of Lading'?

Q2. How is International Business different from International Trade?

Q3. "This certificate specifies the origin of goods exported." Name the document.

Q4. Mr. Kumar has received an order to sell 500 units of T-shirts to a business house in Germany. Mr. Kumar has received letter of credit from the importing firm's bank. Explain further steps that must be taken to complete the order.

Q5. Aries Ltd. of India has enquired about various exporting companies in Australia for obtaining cables for its further sales in India. Cables are manufactured in Australia at a very low cost. Aries Ltd. also has the necessary license required for purchasing the cables. What other steps Aries Ltd. will now have to take to procure this product in India. Explain in detail.

Q6. Explain different types of Principal export documents.

Q7. What is the letter of credit? Why does an exporter need this document?

Q8. Explain the meaning of the following documents used in connection with the import documents:

- a. Trade enquiry
- b. Bill of entry

Q9. How does external trade boost up economic growth of the country?

Q10. Write short note on WTO.

