ANSWER KEY

Q1. Define Margin Market. (2 marks)

- **Answer:** Margin money is a percentage of the total transaction value that a borrower is required to pay upfront when taking a loan or making an investment.

Q2. Define equity funding. (2 marks)

- **Answer:** Raising capital by selling company stock (ownership shares). Investors provide funds in exchange for equity, becoming part-owners with a claim on future profits.

Q3. What is meant by Angel Funding? (2 marks)

- **Answer:** Investment by individual investors (angels) in early-stage startups or small businesses. Angels provide capital, mentorship, and industry connections in exchange for equity.

Q4. What are the criteria of investment selection? (3 marks)

- **Answer:** Factors considered when choosing investments, including risk tolerance, potential return, investment horizon (timeframe), diversification needs (spreading investments), and alignment with financial goals.

Q5. How do you identify the appropriate investor? (3 marks)

- **Answer:** Researching and targeting investors whose investment focus (e.g., industry, stage), stage preferences (e.g., seed, Series A), and industry expertise align with the business seeking funding. Networking and utilizing platforms connecting startups with investors are common strategies

Part-b

Q6. Explain Equity Funding. How Can We Raise the Funding? (13 Marks)

Equity Funding:

Equity funding refers to the process of raising capital for a business by selling shares of ownership to investors. In this method, investors provide financial resources in exchange for a stake in the company, making them partial owners. Unlike debt financing, equity funding does not require repayment with interest, but it dilutes the ownership and control of the original founders.

Sources of Equity Funding:

1. **Angel Investors:** Wealthy individuals who provide capital to startups in exchange for equity.
2. **Venture Capitalists (VCs):** Professional investors who fund high-potential startups in exchange for ownership and potential high returns.
3. **Private Equity:** Large investors or firms that invest in established businesses looking for expansion.
4. **Crowdfunding:** Raising small amounts of money from a large number of people through online platforms like Kickstarter or GoFundMe.
5. **Initial Public Offering (IPO):** Selling shares to the public in a stock exchange to raise significant capital.
6. **Strategic Partnerships:** Companies can sell a portion of their equity to other businesses for funding and industry collaboration.

Ways to Raise Equity Funding:

1. **Develop a Solid Business Plan:** Investors need a detailed business plan showcasing growth potential and profitability.
2. **Network and Pitch Investors:** Attend startup events, pitch competitions, and meet investors directly.
3. **Leverage Incubators and Accelerators:** Programs that provide funding, mentorship, and resources for startups.
4. **Use Online Equity Crowdfunding Platforms:** Platforms like AngelList and SeedInvest connect startups with investors.
5. **Demonstrate Traction:** A proven customer base, revenue growth, or unique market position attracts investors.
6. **Offer Convertible Notes:** Initially structured as debt but later converted into equity at a discount.

Q7. Explain the Stages of Product Life Cycle (13 Marks)

The **Product Life Cycle (PLC)** describes the stages a product goes through from its introduction to the market until its decline. There are **four main stages**:

1. Introduction Stage:

- The product is launched in the market.
- Sales are low, and expenses are high due to marketing and production costs.
- Businesses focus on building awareness and attracting early adopters.
- Strategies: High promotional activities, limited distribution, and pricing strategies like penetration pricing (low price) or skimming pricing (high price).

2. Growth Stage:

- Sales begin to increase rapidly as customers accept the product.
- Profitability improves, and competition starts emerging.
- Businesses expand distribution channels and invest in improving product quality.
- Strategies: Increased marketing efforts, product differentiation, and possible price reductions.

3. Maturity Stage:

- Sales reach their peak, and the market becomes saturated.
- Competitors fight for market share, leading to price wars.
- Businesses focus on customer retention and cost-cutting measures.
- Strategies: Product improvements, promotional offers, and exploring new markets.

4. Decline Stage:

- Sales decline due to changing customer preferences or new technology.
- Companies decide whether to discontinue, reposition, or innovate the product.
- Strategies: Discounts to clear inventory, focusing on niche markets, or rebranding.

Example:

- **Introduction:** Electric Cars in the early 2000s.
- **Growth:** Tesla's rapid sales growth.
- **Maturity:** Smartphones (e.g., Apple & Samsung competing).
- **Decline:** DVD players being replaced by streaming services.

Part-C

Q8. Explain in Detail How to Register a Company (14 Marks)

Company registration is a legal process required to establish a business as a separate entity. The registration process varies by country, but the general steps include:

Step 1: Choose the Business Structure

The type of business entity determines the registration process. Common types include:

- **Sole Proprietorship:** Owned by one person.
- **Partnership:** Owned by two or more people.
- **Private Limited Company (Ltd/Pvt Ltd):** Limited liability with shareholders.
- **Public Limited Company (PLC):** Can sell shares to the public.
- **Limited Liability Partnership (LLP):** A mix of a partnership and a corporation.

Step 2: Choose a Unique Business Name

- The name should be distinctive and not similar to existing companies.
- Check for availability in the business registry of your country.

Step 3: Prepare Required Documents

The key documents include:

1. **Memorandum of Association (MoA):** Defines the company's objectives and structure.
2. **Articles of Association (AoA):** Rules and regulations for company management.
3. **Director Identification Number (DIN):** Required for company directors.
4. **Digital Signature Certificate (DSC):** Used for online registration and filing.
5. **Address Proof & Identity Proof:** Documents such as Aadhar card, passport, or electricity bill.

Step 4: Register with Government Authorities

- Apply for registration with the **Ministry of Corporate Affairs (MCA)** or relevant authority in your country.
- Submit the required forms and pay the registration fee.

Step 5: Obtain Business Licenses & Permits

Depending on the industry, additional licenses may be required:

- GST/VAT registration (for tax purposes).
- Trade licenses for retail businesses.
- Industry-specific permits (e.g., food safety for restaurants).

Step 6: Open a Business Bank Account

- A corporate bank account is necessary for financial transactions.
- Required documents: Registration certificate, PAN (if applicable), and identity proofs.

Step 7: Register for Taxes

- **Tax Identification Number (TIN)/Goods & Services Tax (GST):** For tax compliance.
- **Employer Identification Number (EIN):** If hiring employees.

Step 8: Compliance & Annual Filings

- Companies must follow compliance requirements such as:
    - Annual financial statements submission.
    - Tax return filings.
    - Holding annual general meetings (AGM) for shareholders.

Conclusion

Registering a company legally establishes it, providing credibility, limited liability protection, and access to funding. Proper documentation and adherence to legal regulations ensure smooth business operations.