1) Define finance and accounting.

→ 1) Accounting - i) Accounting is an art of recording and reporting of the monetary transcations of business. ii) It involves the management of day-to-day financial transactions and the flow of money and then preparing the financial statements.
iii) It is used in public/private accounting firms, corporations
iv) It is a kind of post-mortem activity that records what has already happened.

2) Finance i) Finance is the science of management of funds of a business, branches, financial accounting, Management accounting, cost accounting, Tax accounting etc:
ii) Finance is a wider and broader term that involves the effective management of business assets and liabilities and further planning of positive future growth.
iii) It is used in banks, consultancy, corporations.
iv) It is a pre-term activity where the comprehensive study is done to realize the funds or assets requirement.

2) How finance and accounting play an essential role in the management of any business process?

→ i) Accounting and finance play an essential role in the management of any business.
ii) Companies operate on money, and if you don't control that money, you don't control your business.
iii) By properly accounting for your company's income and expenses, you can manage the flow of your money and thereby direct the course of your business.
iv) Here is how accounting and finances impact your business

management :-

a) Keep Financial Records - Accounting is essentially a record of a company's financial activities.

b) Avoid Legal Problems - keeping an accurate financial record helps follow important business Laws. Overlooking a minor details could have major implications on your tax management.

c) Make a Budget - Using your financial records and understanding your cash flow can help you create a budget and budget is what keeps your business on track.

d) Analyzing Performance

e) External Communication - It is important when dealing with external parties about finance. information.

3) What are the benefits of accounting for enterpreneurs ?

→ As an entrepreneur, proper accounting help you better understand your business's financial health and make informed decisions about your company's finance. Here are some of the main benefits of proper accounting technique for entrepreneurs :

1. Budget for Expenses -

i) Accounting can help entrepreneurs create and manage detailed budgets for their business.

ii) When you understand how much money is coming into and going out of your business, you're better equipped to plan for your expenses.

2. Improve Efficiency -

i) With a proper accounting system in place, entrepreneurs can forecast revenues for their businesses.

ii) You'll be able to see how efficiently your company generates revenue your expenses.

3. Simplify Tax Season -

Accounting helps entrepreneurs prepare for tax season, to ease the headache

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of filing income taxes. With proper accounting and bookkeepin-g you'll have all the records of your business.

4. Monitor Your Growth -

Accounting gives you a handle on your company's assets and liabilities and how they change over time, which lets you monitor the growth of your business.

4) Differentiate between finance & accounting?

→

Parameter	Accounting	Finance
Defination	Accounting involves the management of day-to-day financial transcations and the flow of money and then preparing the financial statement.	Finance is a wider and broader term that involves the effective management of business assests and liabilities and further planning for positive further growth.
Activity Type	It is a kind of post-mortem activity that records what has already happened.	It is a pre-term activity where the comprehensive study is done to realize funds or assets requirements.
Aim	The main aim of Accounting is to collect, classify and present the current financial information about the business that can be used internall and externally.	The main aim of finance is to manage, control, strategize and make decisions about business finance.

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Parameters	Accounting	Finance
Scope	Current : The scope of work involves the formulation of the financial statements of the current year.	Future : The scope of work involves assessing financial statements or analyzing and planning for future financial transaction.
Attention to Details	High	High
Focus	On Reliability and Accuracy	On Analysis & formulating Insights.
Purpose	Communicating the health of the business financial position i.e. whether incurring profits or loss.	Finding the ways & means on how more value in terms of financial position can be added.
Driven by	Accounting activity is carried by the specific rules that are defined for them i.e. what, when and how.	Finance is driven by Analysis that is based on the experties and capabilities of the person or agency in charge.
Used in	Public / private accounting firms corporations.	Banks, consultancy, corporations.
Fund Realization	The determination of funds in accounting is based on cash flow and receipts & payment that are realized for revenue & return.	Determineation of funds is finance is based on the accrual system Expenses are also realized when they are inaccured.

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5) What are the two main finance activities ?

→ i) The term finance is generally used as a synonyms for funding or management of funds. In this context, the two main types of financial activities are:

ii) Securing a loan or raising capital through issuing bonds, debentures or equity shares these kind of activities to help an individual or business owner in receiving money. In other words, these finance activities lead to cash inflow.

iii) Investing in a business organization or a company through direct lending or purchase of shares these are finance activities that leads to cash outflow.

6) What is working capital and fixed capital ?

→ i) Fixed capital includes the assets or investment needed to start and maintain a business, like property or equipment.

ii) Working capital is the cash or other liquid assests that a business uses to cover daily operations like meeting, payroll and paying bills.

iii) Fixed and working capital are both vital to a small business.

6) What is working capital and fixed capital?

→ 1) Fixed Capital –

i) Fixed Capital includes property, facilities, equipment and tools that your business uses on an ongoing basis. Entrepreneur lists some additional examples of long term assets.

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ii) These assets, such as vehicles, real estate, commercial ovens and construction equipment, are not easily liquidated (or turned to cash) but they may be resold and reused at any time.

iii) Fixed-capital investments are usually descripted on the company's accounting statements over a long period of time, but can sometimes be deducted all at once with the section 179 deduction.

2) <u>Working Capital</u> -

i) Working capital is the difference between a company's current assets and liabilities (what you owe).

ii) This figure measures how efficiently you're operating, your company's liquidity and its short-term financial health.

iii) Working capital allows a business to expand. Without working capital, it's difficult for a company to grow pay off debts and become profitable.

iv) When small business owners come up short on working capital, they often turn to working capital loans to fill the gaps.

7) What are the role of importance of fixed capital?

OR

8) What are the importance of fixed capital?

→ i) Fixed capital is required to buy fixed assets of the company.

ii) It is needed to meet various promotional expenses of a company.

iii) It aids company to modernise by easing the purchase of modern machines and implementation of latest technologies.

iv) It is necessary to replace out of date and scrapped assets.

v) It ~~is~~ helps in expansion and diversification of a company.

vi) It also helps in automation of a company.

vii) It is essential if a company decides to widen it scope of activities

viii) It increases the capital requirements of company.

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9) Why working capital is essential ?

→ i) Working capital is lubricant that keeps your company's finances running.

ii) In accounting terms, it is current liquid assets - such as cash, inventories and accounts receivable - minus current liabilities such as accounts payable.

iii) Too little working capital can signal liquidity problems; too much working capital suggests you are not using your assets efficiently to increases revenues.

iv) Finding, the right balance for this measure of assets to libilities has become a moving target during the pandemic.

v) No matter how good your prospects are, your company will face bankruptcy if you can't pay the bills; but you will shrivel up in the long term if you don't invest.

vi) Assessing and determining working capital requirement for your company can help you find that balance.

10) Which factors are affecting the estimate of fixed assets requirements.

→ Factors affecting the Estimate of fixed Assets Requirement.

A. Internal Factors. -

i) Nature of Business - Different industrial undertakings may have varying fixed capital requirements because of different nature of business and the technology of industry in which a company operates.

ii) Size of business - A business enterprise is being setup to carry an large scale operations, naturally its fixed capital requirements are likely to be high since most of their production processes based on automatic machines and equipments.

iii) Scope of business - Business are established to engaged in any one phase of production or distribution activity.

iv) Extend of lease - While planning fixed capital requirement an enterpreneure has to decide in advanced as to how many assets would be accquired on lease hold basic and how many on free hold basis.

v) Arrangement of subcontract - An enterpreneur has thought out of an arrangement of contracting out some process of production at other.

vi) Acquistion of old equipment - An industrial area where the role of technological change in production method is slow or moderate, old equipments of plant available at prices that are for below of new equipment or plant may be used satisfactory.

B. <u>External Factor</u> -

i) International Conditions - This factor is assuming prominent role in the decision making process in globalized scenario, particularly in large concense carrying on business an internaltional skills.

ii) Secular Trend the Economy - A long term trends in the economy must be undertaken while assessing requirements for fix assets.

iii) Population Trend - If the farm has a national market, national population trend must be evaluated while forecasting for fix assets needs.

iv) Consumer's Prefrences - Financial planning must be gear to accquiring fix assets that will provide goods or services that consumers will accepts.

v) Commpiticttive factors - These are a prime element of decision making process on planning future fixed assets needs.

vi) Shift in technology - It should also be considered while estimeting fixed assets requirement.

11) What are the main factors affecting in the working captial ?

→ Main factors affecting the working capital as a follow:-

i) Nature of Business: The requirement of working capital depends on the nature of business. The nature of business is usually of two types : Manufacturing Business and Trading business. In the case of manufacturing business, it takes a lot of time in converting raw material into finished goods. On the contrary, in case of trading business the goods are sold immediately after purchasing or sometimes the sale of affected even before the purchase itself.

ii) Scale of oper-ation :- There is a direct link between the working capital and the scale of operation.

iii) Business cycle :- The need for the working capital is affected by various stages of the business cycle. During the boom period, the demand of a product increases and sales also increases. On the contrary, during the period of depression, the demand declines and it affects both the product and sales of good.

iv) Seasonal Factors :- Some goods are demanded through out the year while others have seasonal demand.

v) Production Cycle :- Production cycle means the time involved in converting raw material into finished product.

vi) Credit Allowed :- Those enterprise which sell goods on cash payment basis need little working capital but those who provide credit facilities to the customers need more working capital.

vii) Credit Availed – If raw material and other inputs are easily available on crediti, less working capital is needed. If they are not available on credit, to make cash payment large amount of working capital will be needed.

viii) Operating Efficiency – Operating efficiency means efficiently completing the various business operations.

ix) Availability of Raw Material – Availability of raw material also influences the amount of working capital.

x) Growth Prospects :- Growth means the development of the scale of business operations.

xi) Level of competitions – High level of competitions increases the need for more working capital. In order to face competition more stock is required for quick delivery & credit facility.

xii) Inflation – Inflation means rise in prices. Therefore, with the increasing rate of inflation, there is a corresponding increase in the working capital.

12) What are the components are involved in working Capital?

→ i) Current Assets – Current assets are the one side of working capital formula. They can be defined as, type of assets which are easily convertible to cash in less than one year. are called current assets. They are composed of cash & bank balances, trade receivable, short term advance, prepaid expense, inventory & short term investments.

ii) Cash and Cash Equivalents – You will see the term cash under the current assets in the balance sheet. This is the most liquid of funds and very essential for every business to maintain the smooth operations of their business.

iii) Account Receivables – The account receivable is the amount of money receivable from clients. arises due to credits sales by the company in the normal course of business. You will find account receivable on the

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company's balance sheet under current assets.

iv) Inventory - stock / inventory are the goods, which purchased by company with a view to recall in the market and earn profits. The turnover of inventory determines how the successful the business is.

v) Account Payable - Accounts payable are the obligation upon company to pay off its debt due from its creditors, and suppliers. It comes under the head of current liabilities and one of major component of working capital managem-ent.