



Question 10. What do you mean by Order lead time?

Answer: It is an average time that elapses between placing an order and receiving the goods.

Question 11. What do you understand by Usage Rate?

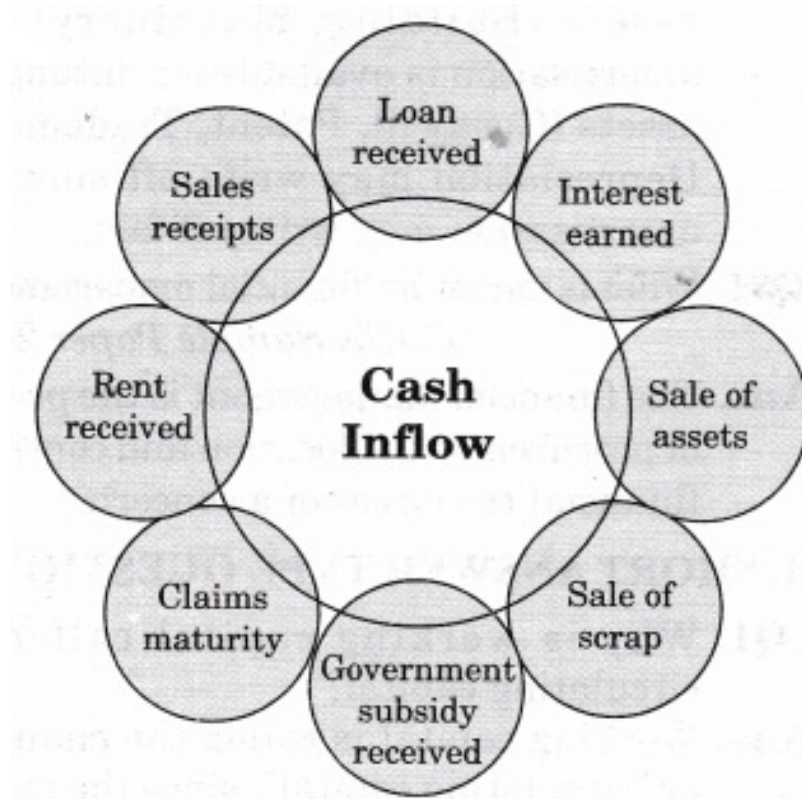
Answer: It is an average rate at which the inventory is drawn down over a period.

Question 12. How Cash Flow Projection will be considered as a better idea for your business plan?

Answer: As part of a business plan, Cash Flow Projection will always give an entrepreneur a much better idea, of how much capital investment a business idea needs to start and to run the business.

Question 13. Give four examples of inflow of cash in the business.

Answer:

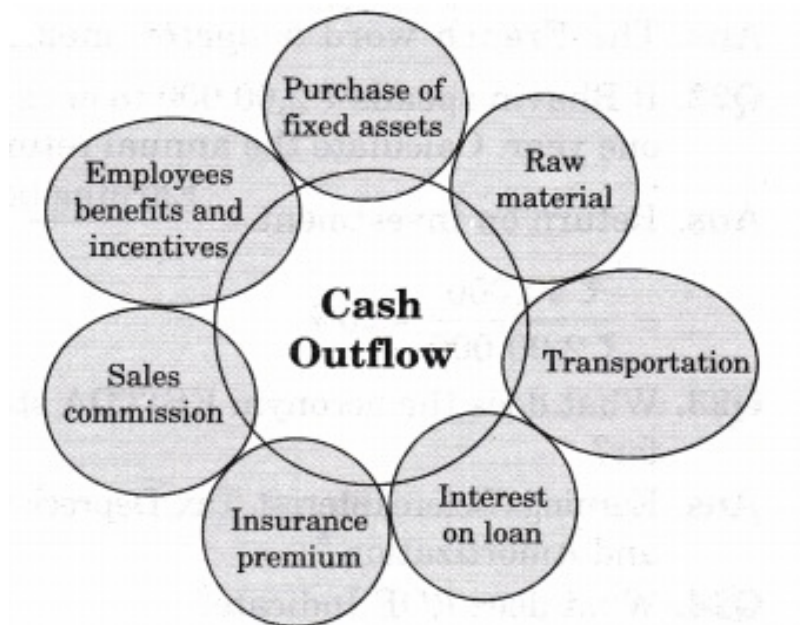


Question 14. Define Budget.

Answer: ICMA London defines a budget as “financial and quantitative statement, prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective.” It may include income, expenditure and capital.

Question 15. Give a few examples of Outflow of cash in the business.

Answer:



Question 16. What are the key aspects of financial decision-making?

Answer: The key aspects of financial decision-making relate to investment, financing and dividends.

Question 17. Give some examples of current assets.

Answer:

1. Cash and bank balances
2. Account receivables:
  - (a) Bills receivable, and
  - (b) Debtors
3. Short term investments/Temporary investment
4. Prepayment:
  - (a) Prepaid rent,
  - (b) Unexpired insurance, etc.
5. Accrued Income

Question 18. Give some examples of Current Liabilities.

Answer:

1. Bank overdrafts
2. Accounts Payable: (a) Creditors (b) Bills payable
3. Outstanding Expenses: wages, rent, commission, etc.
4. Income received in advance
5. Dividend Payable
6. Provision for doubtful debt.

Question 19. What is the desirable behaviour of any inventory item?

Answer: Desirable behaviour of any inventory item is "Availability". It means that there should never be any stock out.

In other words, moment the need (demand) arises we should be able to supply the item- without losing any time.

Question 20. Name the French word for the origin of the word 'Budget'.

Or

Write the etymology of the word "Budget".

Answer: The French word bougette, meaning purse (referring to money), is the origin of the word budget.

Question 21. What do you understand by Budget Period?

Answer: It refers to the period for which a budget is prepared and implemented.

Question 22. If Bhavin spends Rs 2,00,000 to open a grocery shop and earns a net profit of Rs 40,000 in one year. Calculate the

annual return on investment.

Answer:

$$\text{Return on Investment} = \frac{\text{Earning before interest, tax and depreciation}}{\text{Total investment}}$$
$$= \frac{\text{₹ 40,000}}{\text{₹ 2,00,000}} = 20\%$$

Question 23. What does the acronym EBITDA stand for?

Answer: Earnings Before Interest, Tax, Depreciation and Amortization.

Question 24. What does ROE Indicate?

Answer: ROE (Return On Equity) is a good indicator to know a true measure of how own money is being used.

Question 25. What does ROI Indicate?

Answer: ROI (Return On Investment) is a good indicator to know a true measure of how total money is being used. ROI, on the other hand, gives an indication of how the total money is being used.

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