



## TEXTBOOK QUESTIONS SOLVED

### SECTION-A: FINANCE

#### A. VERY SHORT ANSWER TYPE QUESTIONS

1. What do you understand by finance?

Answer: 'Finance' refers to funds or monetary resources needed by individuals, business houses and the government.

2. Give the significance of finance in an enterprise.

Answer: The significance of finance in enterprise is elucidated like a lubricant to the process of production.

3. Name the most important prerequisite to start an enterprise.

Answer: Finance is the most important prerequisite to start an enterprise.

4.State the most important factors for the survival of any business enterprise.

Answer: Financing, 'production', 'marketing' are deemed to be the most important factors for any business survival. Financing is considered to be the first because nothing can be done without money.

5.State how sources can broadly be classified into two major categories.

Answer: We know that these sources could broadly be classified into two major categories:

1. Internal sources
2. External sources

6. What do you understand by internal sources of finance?

Answer: Internal sources of finance is referred to as owner's own money. It is also known as owner's equity. Particularly in the case of small entrepreneurs the owner's money is very small.

7.How will you differentiate between financial market with other market? Give one difference.

Answer: Financial market is a market in which people and entities can trade financial securities (stocks and bonds), commodities (including precious metals or agricultural goods), and others like crude oil etc. at prices that reflect supply and demand. Market refers to the aggregate of possible buyers and sellers of a certain good or service and the transactions between them.

8.'Production', 'Marketing', and Financing' - deemed as the most important factors for any business's survival rates. Among these name the most critical element and why?

Answer: Production, marketing, and financing, deemed to be the most important factors for any business survival. 'Financing' is considered to be the first because no entrepreneur can start and run the business without money. Among this the most critical element for success in business is 'Finance'. Before doing anything, an entrepreneur should clearly answer the following three questions:

1. How much money is required?

2. Where will money come from?
3. When does the money need to be available?

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