



Question 21. What do you mean by lease rent?

Answer: When assets are owned by ICICI but allowed to be used by industrial concerns for a consideration is called lease rent.

Question 22. Name two Indian stock market index.

Answer: SENSEX and NIFTY.

Question 23. Name two National Stock Exchanges.

Answer: NSE (National Stock Exchange of India) and OTCEI (Over the Counter Exchange of India)

Question 24. Name two regional stock exchanges.

Answer:

1. Bombay Stock Exchange and
2. Calcutta Stock Exchange.

Question 25. "Internal sources are referred to as owner's own money". Give one alternate name for owner's own fund.

Answer: Alternate name for owner's own fund is also known as 'equity'.

Question 26. Define Stock Exchange.

Answer: A stock exchange means anybody of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying and selling or dealing in securities. Securities Contracts (Regulation) Act, 1956.

Question 27. Name the institution which owned an asset but allowed to be used by industrial concerns for a consideration called lease rent.

Answer: ICICI.

Question 28. Why is NSEI called a ringless stock exchange?

Answer: In traditional stock exchange securities are traded only by coming into a specified place called ring. But NSEI has not kept a particular place for trading/dealings in the transactions. All the transactions take place electronically or e-issues.

Question 29. What do you understand by listed securities?

Answer: When companies securities that are registered and traded in stock exchange are known as "Listed Securities".

Question 30. Bhavin, Abhishek and Mohit are the directors of a newly established company at Indore. The paid-up capital equity share capital of a company is 4 crore, they are interested to trade its shares at all India level stock exchange. You are a finance manager of a company, suggest the name of the stock exchange for the purpose of trade.

Answer: National Stock Exchange of India (NSEI).

Question 31. What do you mean by capital market?

Answer: A capital market may be defined as an organized mechanism meant for effective and smooth transfer of money capital or financial resources from the investors to the entrepreneurs.

Question 32. What do you mean by primary market?

Answer: Primary market refers to the market where issue of securities (shares, debentures and bonds) being issued for the first time by new companies or new issue of securities by existing companies to investors. It is basically to facilitate transfer of resources from the savers to entrepreneur for seeking more funds.

Question 33. "SEBI is managed by its members". How many members are there in SEBI and who nominate them?

Answer: SEBI is managed by its members

1. Chairman who is nominated by Union Government of India.
2. Two members, i.e. Officers from Union Finance Ministry.
3. One member from The Reserve Bank of India.
4. The remaining five members are nominated by Union Government of India, out of them at least three shall be whole-time members.

Question 34. Rahul wants to start an amusement park near Vishakhapatnam. This will require an investment of Rs 50 lakhs. Name the financial institution which Rahul should approach for financing this venture. [CBSE Delhi 2015]

Answer: Tourism Finance Corporation of India (TFCI).

Question 35. Geeta Ram, an orange grower from Nagpur, wants to start a small juice producing factory using the oranges grown by him as well as by his fellow villagers. Name the financial institutions he should contact for obtaining loan for starting his factory. [All India 2015]

Answer: Geeta Ram should contact National Bank for Agricultural and Rural development (NABARD) for starting his factory.

## II. SHORT ANSWER TYPE QUESTIONS

Question 1. What is meant by 'Capital Structure'?

Answer: It is the composition or mix of different types of long-term capital whether owned or borrowed. It includes all the long term funds consisting of share capital, debentures, bonds, loans and reserves.

Question 2. How does capital market satisfy firstly savers and at the same time investors ?

Answer: Capital market is a place where savers as well as investors get maximum satisfaction. The capital market satisfies the tastes of savers and the needs of investors through its various financial instruments and institutions. As per entrepreneurs requirement they enter either of the following markets available under capital market.

Question 3. What does the Securities Contracts (Regulation) Act, 1956 permit?

Answer: This Act permits only recognized stock exchanges to function under the rules, regulations and by-laws approved by the ' Central Government.

The organisation, management, membership and functioning of stock exchanges in India are governed by the provisions of The Securities Contracts (Regulation) Act, 1956.

Question 4. How do primary and secondary markets promote capital formation?

Answer: In the primary market the flow of funds is from savers to investors, that directly promotes capital formation. At the same time secondary market enhances the marketability of securities and thereby provides liquidity to investments. It indirectly promotes capital formation.

Question 5. For all entrepreneurs/all enterprises at all times, how different sources are differently related?

Answer: We are even aware that not all of them are equally appropriate to all enterprises at all times as these different sources carry very different:

1. Obligations
2. Responsibilities
3. Opportunities.

Question 6. “Stock market imparts liquidity to investment.”

Comment.

Answer:

1. “Stock market imparts liquidity to investment.”The important function of stock market is to provide a ready and continuous market for the sale and purchase of securities.
2. It also gives an investor to reinvest and disinvest.
3. This market imparts liquidity to the long-term securities held by them by providing an auction market for these securities.
4. It enhances the marketability of securities and thereby provides liquidity to investments.

Question 7. Why capital markets are the most important source of raising finance for the entrepreneurs?

Answer: Capital markets are considered as the most important source of raising finance for the entrepreneurs as this market can:

1. Mobilize the financial resources on a nation-wide scale.
  2. Secure the required foreign capital and know-how to promote economic growth at a faster rate.
  3. Ensure the most effective allocation of the mobilized financial resources by directing the same either to such projects which are capable of the highest yield or to the underdeveloped priority areas where there is an urgent need to promote balanced and diversified industrialization.
- The needs of entrepreneurs who actually use the savings for productive purposes are varied.

Question 8. Explain the regulatory functions of NABARD.

Answer:

1. NABARD is empowered to undertake inspection of RRBs and Cooperative Banks, other than the Primary Cooperative Banks.
2. To open a new branch, a recommendation of NABARD is imperative by RRBs or Cooperative Banks to seek permission from RBI.
3. RRBs and Cooperative Banks, along with RBI, are required to file returns and documents with NABARD.

Question 9. What is pro-rata allotment and how to calculate the amount of it? Give one example.

Answer: Pro-rata allotment of shares is opted by the Company when there is an over-subscription. The excess application money is adjusted towards the sum due on allotment.

We calculate the amount of Pro-rata in the following way:

Suppose X Ltd invited applications for 1,00,000 shares and received applications for 1,50,000 shares. In this case the pro-rata is calculated as  $1,50,000/1,00,000 = 3:2$ . Hence the Pro-rata is 3:2.

Question 10. Name some Institutional investors to whom entrepreneurs can raise funds by selling the issues.

Answer: Entrepreneurs, herein, raise funds by selling the issues mainly to the institutional investors like:

1. Unit Trust of India
2. Life Insurance Corporation of India
3. General Insurance Corporation of India

4. Army Group Insurance
5. State Level Financial Corporations, etc.

Question 11. Mohit Pipes and Tube Co. Ltd. goes for public issue of 10,000 shares @ Rs 10 each. Applications were received for 15,000 shares. How did the company proceed with the process of issuing shares?

Answer: In the case of Mohit Pipes and Tube Co. Ltd  
Issued shares to public — 10,000 Shares @ 10 each.  
Applied share public by — 55,000 Shares @ 10 each.  
Company receives only 150% of the subscription within 120 days from the date of the issue, it is called as Over-subscription.  
Company will proceed with the issued shares i.e. 10,000 shares and excess shares will be refunded according to SEBI guidelines.  
The over-subscribed amount after the finalisation of allotment, should be refunded to the applicants within 10 weeks of the closure of subscription list. If the money is not so refunded, the company is liable to refund the money with interest as specified from the expiry of the 8 days after 10 weeks of the closure of subscription list.

Question 12. How venture capital can best be characterized as a long-term investment discipline?

Answer: Venture capital can best be characterized as a long-term investment discipline, usually occurring over a five-year period that helps in the creation of

1. early-stage companies,
2. the expansion and revitalization of existing businesses, and
3. the financing of leveraged buyouts of existing divisions of major or privately owned enterprises.

Question 13. Why stock exchange is also known as secondary market?

Answer: Stock exchange or Secondary market is an institution or place which provide a platform for buying and selling of existing securities only and prices are decided by demand and supply of securities. It is located at a specified place. It indirectly promotes capital formation or easy way of encashability of securities through buying and selling.

Question 14. "Stock exchange is a market where it sell all types of securities. Do you agree?

Answer: No, I do not agree. Stock exchanges maintain an official list of securities that could be purchased and sold on its floor. Securities which do not figure in the official list of stock exchange are called unlisted securities. Such unlisted securities cannot be traded in the stock exchange.

Question 15. For what type of ventures SIDBI provide Venture Capital assistance to the entrepreneurs."

Answer: SIDBI provide venture capital assistance to the entrepreneurs for their innovative ventures if they have a sound management team, long term competitive advantage.

Question 16. Name the specialised institutions which provides leasing and factoring to small- scale units.

Answer: Leasing and factoring to small-scale units are provided for by SIDBI.

Question 17. "Stock exchanges control the activities of brokers and protect the investors from being deceived. But, if any broker is found indulging in malpractices as overcharging or giving wrong information, then what action will be taken against him?

Answer: If any broker is found indulging in malpractices as overcharging or giving wrong information, then his/her licence may be cancelled.

Question 18. "Stock Exchange provides safety and security in dealings". How?

Answer: Activities of the stock exchange are controlled by the provisions of the Securities Control (Regulation) Act and all this creates confidence in the minds of investors. As transactions are conducted as per well defined rules and regulations, fraudulent practices stands checked effectively ensuring safety, security and justice in dealings.

Question 19. How the prices of different securities traded are shown in the stock market?

Answer: The price of different securities traded are shown on electronic boards.

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