II. Short Answer Type Questions [2/3 Marks]

Question 1. What are the steps in the process of financial planning?
Answer: The steps in the process of financial planning are as follows:
(a) Estimation: Amount of funds or capital to be required in the future is estimated.
Here, the amount of money to be raised bases on goals is determined.
(b) Determining securities: For acquiring capital what securities are to be issued is determined here. The form, types, size, etc. of the securities is to be fund to be raised,
(c) Formulation of policies: After estimating the requirement and determining securities, the next is formulating policies for administrating the capital. This involves the making of various targets, ensuring proper utilization of funds, etc.

Question 2. Define Finance.
Answer: Finance may be defined as the provision of money at the time as per the requirement.

Question 3. How an entrepreneur sources to procure finance for small business?
Answer: Finance is required whether the business is small or large. Sources of procurement of finance for small business : Own saving or raise loans from relatives, friends or some financial institutions.

Question 4. Define Business Finance.
Answer: Business Finance may be defined as the acquisition and utilization of capital funds in meeting the financial needs and overall objectives of a business enterprise.

Question 5. "Business Finance is an activity". Comment.
Answer: Business finance is that activity because it is concerned with the planning, fund raising, controlling and administering and managing of all the funds to be used in the business enterprises whether business is small or large.
Enumerate two major of financial decision-making by an entrepreneur.
The two major areas of financial decision-making, requires on part of entrepreneur to take the:
(a) Funds requirement decision: It is concerned with the estimation of total funds required to start and run the business enterprise.
(b) Financing decisions: It is concerned with the sources from which the funds are to be raised.

Question 6. Difference between seed capital and margin money.
Answer:

Basis	Margin Money	Seed Money
Meaning	When an entrepreneur raises capital through Bank or financial institution, then if he has to contribute some percentage of the total borrowed/released amount by the bank or institution on behalf of the entrepreneur as margin money.	Capital needed to set up a new business or enterprise. It can be obtained from owners or his/her relatives or from out-side sources.
Security	No collateral security is required at the time of margin money contribution.	It depends upon from where an ent repreneur had taken money. If relatives no security is required but if it is from private money lender then he can ask for security.
Conditions	No bank or financial institution will be ready to finance the project unless mar gin money is contributed.	Entrepreneur can take money from any person like moneylenders, relative friends, various agencies, financial institutions means no condition are there.

Question 7. What do you mean by over-capitalisation?
Answer: Overcapitalisation signifies a situation when an enterprise possesses excess of assets in relation to its actual requirements. Overcapitalization always indicates that actual earning is always lesser than the decided one.

Question 8. What do you mean by under-capitalisation?
Answer: It refers to a situation when actual capitalisation is lower than the proper capitalisation. Under-capitalisation capital always shows the assets value may be more than the values reflected in the books of accounts.

Question 9. How need of financial resources helps an entrepreneur?
Answer:

- Finance is one of the important prerequisites to start an enterprise.
- It helps an entrepreneur to arrange all other required resources together like, personnel, machines, materials, methods, land, etc. to startup the business systematically.
- It helps an entrepreneur to start his business activities smoothly and convert a dream into reality.

Question 10. What do you understand by owner's funds? Enumerate the forms of owner's funds.
Answer: Owners fund is a type of finance for an enterprise. It is that part of total investment that belongs entirely to the entrepreneur of the business.

- This fund can be provided by a single owner or by a group of owners.
- In such funds the risk is to bared by the owner himself.
- More is the proportion of owner's fund in the enterprise, higher control is enjoyed by the entrepreneur.

Owner's funds can be in the form of:
(a) Equity capital
(b) Preference capital
(c) Margin money/Seed money

Question 11. What is short term capital?
Answer:

- The amount of capital which is invested in the enterprise for a period less than one year.
- Such capital is needed for fulfilling the day to day requirements of the enterprise. It is needed for procuring raw material, finished goods, spare parts, advertising, marketing etc.
- Such capital is obtained from financial institutions against the securities. It is needed more by the enterprises having longer length of operating cycle.

Question 12. What is margin money?
Answer: When an entrepreneur raises capital through bank or financial institution, then if he has to contribute some percentage of the total borrowed/released amount by the bank or institution on behalf of the entrepreneur as margin money.

- It is the contribution by the borrower/entrepreneur towards the cost of the project for „ which is applied for.
- No bank or financial institution will ready to finance the project unless margin money is contributed.
- No collateral security is required at the time of margin money contribution.
- It may vary from 15-25% according to type of business and institution.

Question 13. What is seed capital? Give example.
Answer:

- Capital needed to set up a new business or enterprise. It can be obtained from owners or his/her relatives or from outside sources.
- It is that money used for the initial investment in a project or startup company provided to an entrepreneur to prove the feasibility of the project and quality of startup capital.
- To avail this sources of finance he may concern and contact various agencies, financial institutions.
- Example: Narayan Murthy started Infosys in 1981, had no capital and his wife Sudhamurthy gave him Rs 10,000 which can be considered as seed capital.

Question 14. State any three important aspects which is mandatory for an entrepreneur regarding the proper planning and disbursement of funds:
Answer:

- The total amount of finance required for implementing the business plans (how much money is needed)?
- The forms and proportion of various securities to be used for collecting the desired amount, such as, where the money will come from.
- The policies of utilization and administration of capital, (how can the firm utilize these funds in the best possible manner)?

Question 15. What do you understand by finance?
Answer: The entrepreneur at every point of time needs money and he makes the arrangement of money whenever it is needed.
More is the size of enterprise more is the requirement of finance and it is used for purchasing raw materials, tools, equipments, hiring services, etc. thus we can say- finance means the arrangement of money at the time it is required is finance.

Question 16. “Sound financial planning is necessary for the success of any business enterprise”. Explain
Answer: Yes, I agree with the statement. It entails.policies and procedures for proper coordination between the various functional areas of business, involving proper allocation of resources amongst the various departments.

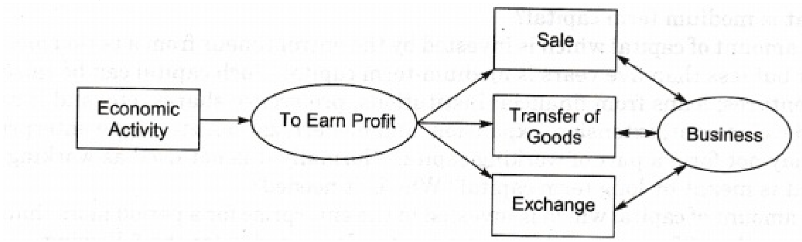
Question 17. How a business enterprise gets affected without an accurate financial plan?
Answer: Any enterprise/entrepreneur will start his business with an accurate plan embodying the financial needs of the company in the present and future. It is definite that the enterprise may have to face frequent difficulties and obstacles which may hamper the growth of an enterprise.

Question 18. What does a mentor do?

Answer: As a teacher he teaches the mentee about a specific issue.
As a coach coaches the mentee on a particular skill.
As a facilator he facilitates the mentee growth by sharing resources and networks.
As a challenger he challenges the mentee to move beyond his or her comfort zone.
And he always creates a safe learning environment for taking risks and focuses on the mentees total development.

Question 19. What do you understand by 'Silo Mentality'?
Answer: It is a situation in some organisation/business firms where few people work in a different mindset. In these the employees in the same organisation or departments employees do not wish to share information/knowledge with other individuals or other departments. It is also called as a attitude problem of an enterprise.

Question 20. What do you understand by the term business?
Answer: An economic activity which is conducted on regular basis to earn profit through the sale, exchange or transfer of goods and services, is referred as business.



Question 21. How can mentoring be classified on two grounds?
Answer: Mentoring thus may be classified on two grounds:
(a) Mode of construction (in which way mentorship is structured)
(b) Mode of delivering (in which manner mentorship is rendered)

Question 22. How to overcome 'Silo Mentality' in an organisation?
Answer:

- Giving new employees good atmosphere, and proper orientation and make them to understanding of all departments, encourage them to work in team.
- Regularly good communication and check with all the activities in the organisation and briefing the employees.
- Time to time taking good decision and careful regarding the selection and proper training of employees.

All these techniques will help an organisation and team leader to achieve the organisational goals and objectives.

Question 23. Different firms need different resources. Enumerate the requirement of resources depends upon.
Answer: Different firms need different resources. The requirement of resources depends upon:
(a) Nature of activity
(b) Size of activity
(c) Product specification
(d) Type of business activity.

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