



ASSIGNMENT NO. 3

SUBJECT: BUSINESS STUDIES

CLASS-XI

OCTOBER'2026

CHAPTER 3: SOURCES OF BUSINESS FINANCE, SMALL BUSINESS

Section A: Very Short Answer Questions (1 MARKS)

Q1. Which of the following is an internal source of business finance?

- (a) Bank loan
- (b) Retained earnings
- (c) Debentures
- (d) Public deposits

Q2. What is meant by ploughing back of profits?

Q3. Name the source of finance in which a company raises funds by issuing ownership shares to the public.

Q4. State one difference between equity shares and preference shares.

Q5. Which source of finance is generally used to meet the short-term financial requirements of a business?

Q6. What is trade credit?

Q7. Define a small business.

Q8. Name the institution that provides financial assistance to small-scale industries through specialised lending and development support: SIDBI or SEBI?

Q9. What is entrepreneurship?

Q10. Mention one major problem faced by small businesses in India.

Q11. Name one institution that provides training and support for entrepreneurship development in India.

Q12. State one contribution of small businesses to rural development.

Section B: Short Answer Questions (3 MARKS)

Q13. Explain any three factors that a business should consider while selecting a suitable source of finance.

Q14. Differentiate between owners' funds and borrowed funds on any three bases.

Q15. Explain any three merits of retained earnings as a source of business finance.

Q16. Explain any three problems faced by small businesses in India.

Q17. State any three ways in which small businesses contribute to the economic development of India.

Q18. Explain any three services provided by institutions supporting small businesses and entrepreneurs.

Section C: Short Answer Questions

Q19. Explain any four merits of equity shares as a source of business finance.

Q20. Distinguish between the following sources of finance on any four bases:

- (a) Trade credit
- (b) Public deposits

Q21. Explain any four merits of small businesses for the Indian economy.

Q22. Describe any four functions of the National Small Industries Corporation (NSIC).

Q23. Rohan owns a manufacturing company that needs ₹20 lakh to expand its production capacity. He is considering issuing equity shares, taking a bank loan or using retained earnings. He wants to avoid a compulsory interest burden but is concerned about losing control over business decisions.

Answer the following questions:

(a) Identify the source of finance that does not create a compulsory interest payment. (1)

(b) State one disadvantage of using this source. (1)

(c) Explain two factors Rohan should consider before selecting a source of finance. (2)

Q24. Meera operates a small handicraft unit in a rural village. She employs local artisans and sells handmade products. However, she faces difficulties in obtaining loans, purchasing raw materials at reasonable prices and marketing her products in distant cities.

Answer the following questions:

(a) Identify one problem faced by Meera's business. (1)

(b) State one contribution of her business to the local community. (1)

(c) Suggest two measures that could help her business overcome its difficulties. (2)

Section D: Long Answer Questions (6 MARKS)

Q25. Explain the following sources of business finance, stating their meaning and any two merits or limitations of each:

(a) Equity shares

(b) Debentures

(c) Retained earnings

Q26. Explain any six factors that affect the choice of a suitable source of business finance.

Q27. Discuss any six problems faced by small businesses in India.

Q28. ABC Ltd. is planning to establish a new production unit. The management requires substantial funds for purchasing machinery, constructing a factory and meeting working capital needs. The company has three options:

Issue equity shares to investors.

Issue debentures carrying a fixed rate of interest.

Use retained earnings accumulated over previous years.

The management wants to raise adequate funds while maintaining financial stability and control over the business.

Answer the following questions:

(a) Identify the source of finance that represents ownership capital. (1)

(b) Which source involves a fixed interest obligation? (1)

(c) Explain two advantages of using retained earnings. (2)

(d) State two factors the company should consider while selecting its source of finance. (2)