



ASSIGNMENT NO. 3

SUBJECT: BUSINESS STUDIES

CLASS-XII

OCTOBER, 2026

CHAPTER 3: SOURCES OF BUSINESS FINANCE, SMALL BUSINESS

Section A: Very Short Answer Questions (1 MARKS)

- Q1. What is the primary objective of financial management?
- Q2. State any one factor affecting the choice of capital structure.
- Q3. Which financial decision deals with the allocation of funds to different assets?
- Q4. What is meant by working capital?
- Q5. Name the financial decision concerned with determining how much profit should be distributed among shareholders.
- Q6. What is a financial market?
- Q7. Name the market in which existing securities are bought and sold.
- Q8. Which institution regulates the securities market in India?
- Q9. State one difference between money market instruments and capital market instruments.
- Q10. What is meant by dematerialisation?

Section B: Short Answer Questions (3 MARKS)

- Q11. Explain any three functions of financial management.
- Q12. Explain any three factors affecting the investment decision.
- Q13. Distinguish between fixed capital and working capital on any three bases.
- Q14. Explain any three functions of a financial market.
- Q15. Differentiate between the primary market and the secondary market on any three bases.
- Q16. Explain any three functions performed by the Securities and Exchange Board of India (SEBI).

Section C: Short Answer Questions (4 marks)

- Q17. Explain the four factors that affect the choice of capital structure of a company.
- Q18. Explain any four factors affecting the dividend decision.
- Q19. Explain the relationship between investment, financing and dividend decisions.
- Q20. Explain any four instruments of the money market.
- Q21. Explain the four stages involved in the trading and settlement process of securities through a stock exchange.
- Q22. Explain any four objectives or functions of SEBI, covering both protective and developmental roles.

Section D: Long Answer Questions (6 MARKS)

Q23. Explain the following six factors affecting the requirement of working capital:

- Nature of business
- Scale of operations
- Business cycle
- Seasonal factors
- Credit allowed to customers
- Availability of raw materials

Q24. Aarav Industries Ltd. manufactures electrical appliances. The company plans to purchase new machinery worth ₹50 lakh to increase production capacity. The finance manager is considering whether to raise funds through equity shares or debt. The company also needs to maintain sufficient cash, inventory and receivables to meet its day-to-day expenses.

Answer the following:

- (a) Identify the financial decision involved in purchasing new machinery. (1)
- (b) Identify the financial decision involved in choosing between equity and debt. (1)
- (c) State any two factors that may influence the company's working capital requirement. (2)

Q25. Sunrise Ltd. is a growing company that plans to expand its business. Its finance manager is considering raising funds through debt because interest payments are tax-deductible. However, the company's directors are concerned about the risk of excessive borrowing. The company has also earned substantial profits and must decide how much to distribute as dividends and how much to retain for expansion.

Answer the following:

- (a) Identify the financial decision involved in deciding the proportion of debt and equity. (1)
- (b) Explain two factors supporting the use of debt financing. (2)
- (c) Explain two factors that may discourage the company from taking excessive debt. (2)
- (d) Identify the financial decision involved in deciding the distribution of profits. (1)

Q26. Meera wants to invest her savings in shares of a listed company. She opens a demat account and a trading account with the help of a registered intermediary. She then purchases shares through a recognised stock exchange. A few months later, she sells some of these shares to another investor.

Answer the following:

- (a) Identify the market in which Meera initially purchases shares from an existing investor. (1)
- (b) State the purpose of a demat account. (1)
- (c) Explain any two functions of the stock exchange illustrated by this situation. (2)