

Lesson-15

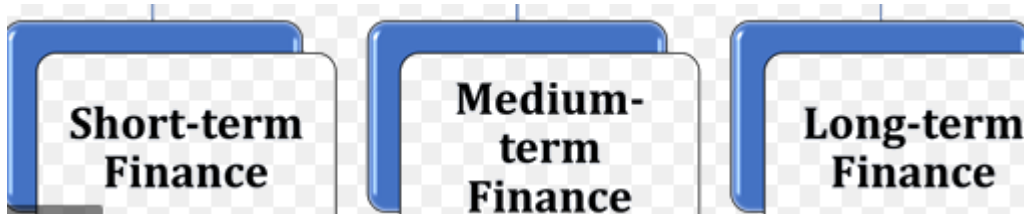
FINANCING OF BUSINESS

Introduction

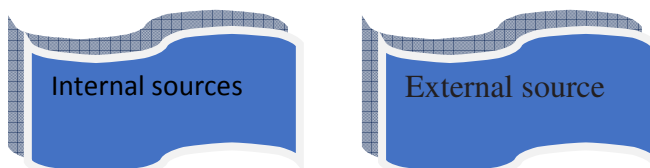
Are you aware to become successful in an occupation or business all of them need some amount of funds (money) to buy the required materials, tools and equipments. Occupations or doing business is important to earn livelihood. Now, the question arises from where do the businessmen gather the required amount of money? Are they able to manage with their own money to start and run their business? Obviously, it is difficult and in case of large business, it is ruled out. So we have to know what are the various options available to them to arrange the required amount of funds (also called capital)

Important points from the text:

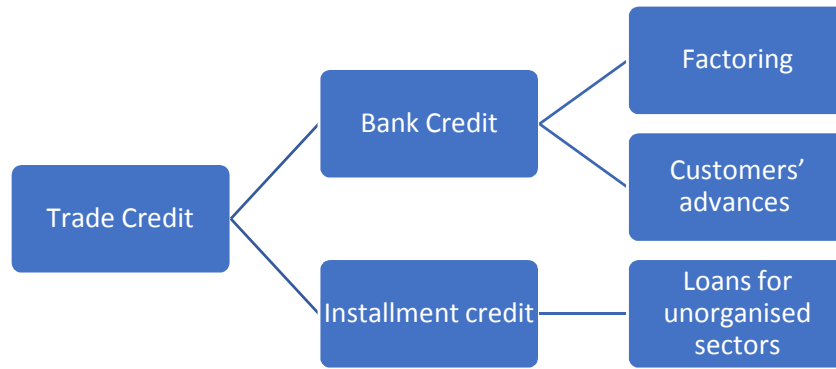
1. Business finance' refers to the money required for business purpose and the ways by which it is raised.
2. Every business needs funds to purchase fixed assets to meet its day-to-day ex penses, to fund business growth, bridge the time gap between production and sales, to meet contingencies and to avail of business opportunities.
3. Business finance is classified as



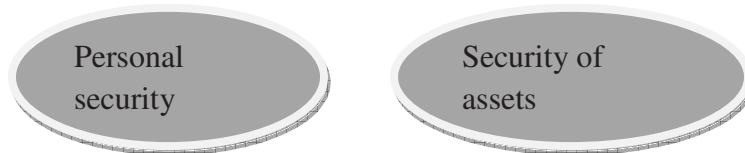
4. There are two sources of raising the required funds by the business



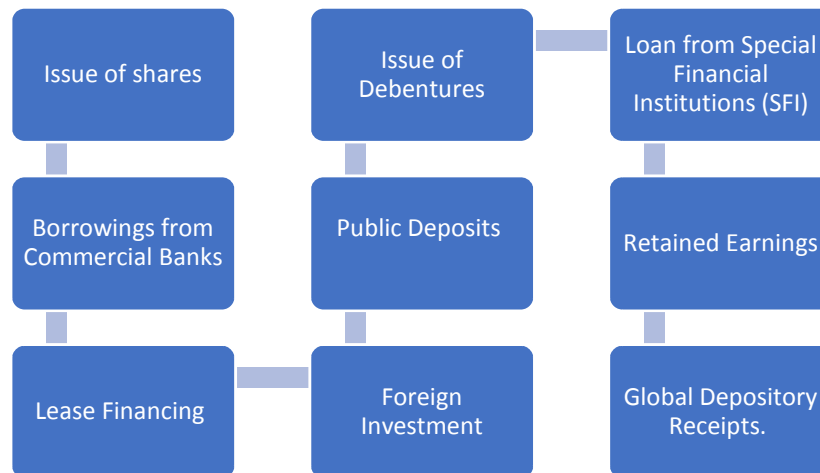
5. Methods of raising short-term finance:



6. The loans and advances are granted by the banks by taking some security that will ensure the bank about safe return of its money. Securities offered against bank credit may be of two types:



7. The methods of raising long term finance are:



Learn new points:

1. Equity shares: They are shares which do not enjoy any preferential right in the matter of payment of dividend or repayment of capital.
2. Preference shares : They carry preferential rights in respect of dividend and return of capital.
3. Preference shares that a company can issue are: Convertible and non-convertible preference shares

Evaluate yourself

1. Find out what are the various ways in which finance are provided to a business enterprises.
2. Mr. Iran had started his garment business as a sole proprietor, with a capital of Rs. 55,000/-. Now, after three years, he has decided to form a company to run his expanding business. Where he should approach for finance.

Maximize your marks

- Read the chapter carefully and go through the learning points
 - Get into the little details of the above mentioned important points.