

**KENDRIYA VIDYALAYA SANGATHAN BHOPAL REGION**

**CBT CLASS 11 NOVEMBER2025**

**BUSINESS STUDIES**

1	<p><b>Elite Furniture</b> is a furniture business that has been operating for several years. They want to raise funds by inviting the general public to invest in their business. They are interested in raising a large amount of capital but also willing to give up part of their ownership.</p> <p>Which option is most appropriate for Elite Furniture if they want to raise funds from the public and are willing to share ownership?</p> <p>a) Bank Loan b) Equity Shares c) Trade Credit d) Retained Earnings</p> <p>Ans : b) equity shares</p> <p><b>Explanation:</b> Equity shares represent the ownership of a company. They have right to vote and right to participate in the management.</p>	1
2	<p>Where funds are required for a period of more than 1 year but less than 5 years, which sources are used</p> <p>(A) Long term sources (b) Medium term sources</p> <p>(c) Short term sources (d) Very short-term sources</p> <p>Answer: b) medium term source</p>	1
3	<p>Technocraft private limited is a manufacturing company that specializes in producing heavy machinery. The company recently decided to expand its operations by setting up a new plant. For this it requires significant investment in purchasing land, machinery and other equipment. Technocraft management finance this needs through long term loan and equity.</p> <p>What type of financial need is required to purchase land and machinery</p> <p>a. Fixed capital requirement b. working capital requirement c. short term loans d. contingency funds</p> <p>Ans a) Fixed capital requirement</p> <p><b>Explanation:</b> In order to start a business, funds are needed to purchase fixed assets like land and building, plant and machinery. The funds required in fixed assets remain invested in the business for a long period of time.</p>	1
4	<p><b>Skyline Apparel</b>, a family-owned clothing business, wants to modernize its operations by investing in new manufacturing equipment. They want to avoid taking on high-interest loans, so they are considering a source of finance that involves securing funds from the public without heavy interest payments. Which of the following is an appropriate financing option for Skyline Apparel to avoid high-interest loans?</p> <p>a) Issuing Equity Shares b) Bank Overdraft c) Government Grant d) Trade Credit</p> <p>ANSWER: a) issuing equity shares</p>	1
5	<p>“Retained earnings of a permanent source of capital without involving explicit cost. However excessive</p>	1

	<p>flowing back of profit may cause this satisfaction among shareholders “</p> <p>Identify the disadvantage of retained earning discussed in the above statement.</p> <ol style="list-style-type: none"> <li>They require the payment of interest</li> <li>They may lead to dissatisfaction among shareholders due to lower dividends</li> <li>They are not suitable for long term financial needs</li> <li>They are uncertain and fluctuate with profits</li> </ol> <p>Ans b). They may lead to dissatisfaction among shareholders due to lower dividends</p> <p><b>Explanation:</b> When a company earns profit, a certain amount or percentage of those profits is retained within the business for future use and this is known as Retained Earnings. When the business is financed through this source it is known as ploughing back of profit or internal financing. Excess retention of profits may lead to dissatisfaction among shareholders.</p>	
6	<p>Debentures are preferred investment option for those who seek fixed income with lesser risk. This makes them suitable for investors who want predictable returns. Identify the merit of debentures discussed in the statement.</p> <ol style="list-style-type: none"> <li>They provide variable returns based on company's profits.</li> <li>They offer high returns with high risk.</li> <li>They carry voting rights for investors.</li> <li>They are suited for investors seeking fixed income at lesser risk</li> </ol> <p>Ans d) They are suited for investors seeking fixed income at lesser risk</p> <p><b>Explanation:</b> It is an important source of raising funds or long term debt capital. It bears a fixed rate of interest. Debenture holders are the creditors of the company.</p>	1
7	<p><b>Crafts &amp; Creations</b> is a small business specializing in handmade decor. They have a large order from a client but need additional raw materials to complete it. However, they don't have the immediate cash on hand and are looking for a short-term financing option to fulfill the order. Which of the following financing options would be most suitable for Crafts &amp; Creations to meet its short-term needs?</p> <p>a) Venture Capital b) Trade Credit c) Equity Shares d) Government Grant</p> <p>Ans : b). Trade Credit</p> <p><b>Explanation:</b> It refers to the extension and provision of credit by one trader to another for the purchase of goods and services, or other supplies without on the spot payment. This is generally used by organizations as short term financing.</p>	1
8	<p>Which of the preferential rights is enjoyed by the Preference Shareholders over Equity Shareholders?</p> <ol style="list-style-type: none"> <li>Right to receive a fixed rate of dividend before any dividend paid to the equity shareholders.</li> <li>Right to receive repayment of capital on winding up of the company, before the capital of the equity shareholders is returned. Choose the correct option:</li> </ol>	1

	<p>a) Only (i) b) Only (ii) c) Both (i) and (ii) d) None of these.</p> <p>Ans c). both (i) and (ii)</p> <p><b>Explanation:</b> Preference shares enjoy two preferential rights over equity shares. They receive dividend at a fixed rate before dividend paid to equity share holder. Right to receive repayment of capital at the time of winding up of the company.</p>	
9	<p>Assertion A. Loans from financial institutions are a better option for long term finance</p> <p>Reason R : financial institutions provide technical and managerial support along with financial assistance.</p> <p>In the context of the above two statements, which of the following is correct:</p> <p>a) Both Assertion (A) and Reason (R) are correct but Reason (R) is NOT the correct explanation of Assertion (A).</p> <p>b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).</p> <p>c) Assertion (A) is correct but Reason (R) is not correct.</p> <p>d) Assertion (A) is not correct but Reason (R) is correct.</p> <p>Ans b). Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).</p> <p><b>Explanation:</b> The state and central government have established many financial institutions to provide finance to companies. They are called development Banks. These are IFCI, ICICI, IDBI, LIC and UTI. etc. They provide financial, managerial and technical advice to business firm.</p>	1
10	<p>Statement 1 :Working capital requirements increase during festive seasons and business expansion</p> <p>Statement 2 : business that sell on credit generally require less working capital than business with cash sales.</p> <p>a) Statement I is Correct and II is Incorrect b) Statement I is Incorrect and II is Correct</p> <p>c) Both are Correct d) Both are Incorrect</p> <p>Ans a.) Statement I is Correct and II is Incorrect</p> <p><b>Explanation:</b> Credit sales require more working capital than cash sales.</p>	1