

Topic: RESOURCE MOBILISATION

MULTIPLE CHOICE QUESTIONS (1 MARK)

1. UCL Ltd., has been manufacturing cycles since 2010. Their market share in this field is 35%. They decided to introduce new cycles with advanced gear systems in 2015. For the same they estimated their financial requirements to be ₹ 20 crore. They decided to raise the same through a limited number of sophisticated investors.

Identify this kind of issue?

- A. Public issue
- B. Private placement
- C. Offer to employees
- D. Right issue

2. A may be defined as an organized mechanism meant for effective and smooth transfer of money capital or financial resources from the investors to the entrepreneurs. A. Capital Market

- B. Consumer Market
- C. Product Market
- D. Service Market

3. Primary market is basically to facilitate transfer of resources from the savers to the entrepreneurs seeking funds for:

- A. Setting new enterprises
- B. Expanding
- C. Diversifying D. All of above

4. They' fill in the gap in start-up or early-stage financing between 'friends and family' by providing seed funding and formal venture capital. Humorously, they were once given the acronym FFF- Friends, Family and fools.

Who are referred as 'they'?

- A. Banks
- B. Angel Investors
- C. Financial Institutions
- D. Venture Capital

5. ABC Ltd., decided to raise funds by issuing shares. The finance department felt that the company should offer the shares to existing shareholders on a pro-rata basis. Out of the following, identify the method of raising the funds being suggested by the finance department?

- A. Public Issue
- B. Rights Issue
- C. Private Placement
- D. Offer to Employees

6. Assertion(A): Offer to employees means sale of its securities by a company to a limited number of sophisticated investors.

Reason(R): Offer to employees enables employees to become shareholders and share the profits of the company.

Evaluate the statements given above and choose the most appropriate option from the following:

- A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- B. Both Assertion (A) and Reason are true, but Reason (R) is not the correct explanation of Assertion (A).
- C. Assertion (A) is true, but Reason (R) is false.
- D. Assertion (A) is false, but Reason (R) is true.

CASE BASED/COMPETENCY BASED/ DESCRIPTIVE TYPE QUESTIONS: (2/3/5 Marks)

- 7. What is capital market? Explain its importance.
- 8. Evaluate the different options available for an entrepreneur to raise funds from the primary markets.
- 9. Excel Electronics is the market leader in electronics product. It is planning to enter into a new product line . To start production it needs new machines and skilled labour along with good quality wood. For all this it needs ₹2 crore. Excel Electronics is planning to raise funds by issue of prospectus. But its Board of Directors decided to honour the existing shareholders by offering them the shares on pro-rata basis, before going for issue through prospectus.
 - (a) Identify and explain the type of capital market from which Pratap Furnitures.
 - (b) Explain the two methods of raising funds discussed in the above case.
 - (c) What reward do the investors get when shares are issued through prospectus ?
- 10. The decision of ‘going public’ by a company is considered to be a complex decision that requires careful consideration and planning as it requires additional obligations and reporting requirements.
- 11. Why are capital markets regarded as ‘financial intermediaries’? State.
- 12. ‘Angel Investment’ not only brings in funds but also an invaluable mentor to the business. In the light of this statement state any three features of angel investors.
- 13. They may invest in one in four hundred opportunities presented to it and looks for an "exit" in the time frame of typically 3-7 years.
 - (a) Identify the source of fund.
 - (b) State any four features of the source identified in (a)
- 14. Explain the four stages an entrepreneur can seek finance from a venture capital firm.

15. Give the meaning of 'Venture Capital'. Entrepreneurs can seek venture capital to assist various stages in the company's development. Explain 'Seed Capital stage' and 'Pre-start-up stage' of financing by venture capitalists.

16. Sunil Kumar always introduce something new in the market, he is very creative person. He always takes care about safety of security of customers as well as his employees. He developed a design of a balcony garden "MERA KHET" with the training of how to produce fruits, vegetables etc. in own balcony.

Since he did not get any financial support from any bank, he approached Nirvana Vent (VC), a venture capitalist firm. Though VC liked the idea but it refused to help Sunil Kumar at the seeding stage and asked him to come again if needed during second round financing. Why was seed capital not given by venture capital (VC) while it was ready to fund the second round financing?