INDIAN SCHOOL AL WADI AL KABIR

Class: XII	Department: Commerce
Chapter 6 - OTQ&DTQ Objective & Descriptive Type Questions	Topic: RESOURCE MOBILISATION

Q. No.	OBJECTIVE TYPE QUESTIONS
1	Infotech Pvt. Ltd. wants to raise additional capital at a very short notice for expanding its AI-based product line. The Management decided not to raise funds from the general public. Instead, they decided to approach a small group of selected investors, including venture capitalists and high-net-worth individuals. Identify, which of the following is NOT a benefit of the method of floatation of new issue opted in the above case? (A) Results in lower costs compared to public offerings. (B) Provides access to sophisticated and institutional investors. (C) Enables fund-raising without detailed public disclosure. (D) Offered to the existing shareholders, who may either subscribe or renounce.
2	Nova Pvt. Ltd., a rapidly growing technology startup, decides to convert into a public company to raise funds from the stock market. After public listing, the management faces several new challenges: • They are required to submit detailed reports to shareholders and regulatory authorities regularly. • Media attention increases and every corporate decision is scrutinised publicly. • Dividend expectations of shareholders put pressure on consistent profit growth. • The company becomes potentially vulnerable to hostile takeovers. • Senior management feels that their control over strategic decisions has reduced. Based on the above situation, which of the following is NOT a drawback of going public? (A) Loss of privacy due to media attention. (B) Pressure to maintain dividend and profit growth trends. (C) Increased accountability to shareholders and regulatory bodies. (D) Ability to raise additional capital from a larger pool of investors.
3	When a company raises capital by issuing securities to the public for the first time, it is considered to be _____ market activity. (i) Primary Market (ii) Secondary Market (iii) Venture Capitalists Options: (A) Only (i) (B) Only (ii) (C) (i) and (iii) (D) (ii) and (iii)

4	_____ is the process of identifying, acquiring and organising the resources required to establish and operate an enterprise.
5	Ambika is a venture capitalist based in Mumbai. She has been approached by Dharmesh with a unique business idea of an innovative security camera, which is a highly competitive market. Before investing, Ambika requires significant detail with respect to the company's business plan. Dharmesh is in a dilemma as he doesn't want to share his confidential information. From the following options, choose the correct piece of advice to guide Dharmesh in the right decision making. A. Not disclose any information and wait to generate funds on his own. B. Share complete information with Ambika as it is part of the due diligence. C. Protect the proprietary intellectual property and then share the required information. D. Share the information with a non-disclosure agreement between Dharmesh and Ambika.
6	Identify the place where transaction happens in shares or debentures subsequent to its primary offering. A. Primary market B. Secondary market C. Capital market D. Securities and Exchange Board of India
7	Which among the following is NOT a method of raising the required capital in the primary market? A. Xma Ltd. raised additional finance from existing shareholders by offering securities to them in proportion to the shares they are holding B. Prabhat Luminous Ltd. raised funds by selling its shares mainly to the General Insurance Corporation of India and Army Group Insurance C. To increase the efficiency of the employees and reduce the labour turnover, the management of CVK ltd. made employees the shareholders and enabled them to share the profits of the company D. Sujata AI ltd. raised funds from Mr. Bansal, an affluent individual in exchange for ownership equity
8	A _____ market is a market that facilitates the transfer of long-term funds from investors to businesses and other entities that need capital.
9	From the following list of features of business investors, identify the correct option to describe the angel investors accurately. Features: (i) Individuals who have the knowledge, expertise, and funds that help start-ups match up to industry standards (ii) Investors who provide proactive advice, guidance, industry connections and mentoring start-ups (iii) Investors who have a continuous involvement in the business after making the investment (iv) Investors who have a legal right to repayment of the capital, irrespective of the success or failure of a business. Options: A. (i) and (ii) B. (i), (ii) and (iii) C. (iii) and (iv) D. (ii), (iii) and (iv)
10	_____ is the type of capital market where the existing investors can participate in buying and selling of securities. (Choose the correct option) A. Primary market B. Secondary market

	C. Joint market D. Public market
11	Which of the following methods of floatation of new issues is used by the company, when the company directly sells its securities to a limited number of sophisticated investors and at times does not want to disclose information to the open market ? (A) Public Issue (B) Rights Issue (C) Private Placement (D) Offer to the Employees
12	An _____ is an individual who invests personal funds in a promising early-stage business, usually in exchange for an ownership stake or another agreed financial arrangement.
13	Assertion (A): The Angel Investors were given the acronym FFF – i.e. FRIENDS, FAMILY, AND FOOLS. Reason (R): Angel investors are high net-worth individuals who have the knowledge, expertise, and funds that help start-ups without due diligence. 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 (R) 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
14	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.
15	What is the typical investment stage for an Angel investor? a. Early stage b. Last stage c. IPO d. In case of loss
16	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
17	_____ is financing provided to businesses with significant growth potential, often in return for an equity stake.
18	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
19	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
20	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 the shareholders and share the profits of the company. 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 (R) 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.
21	An _____ is the first public offer of a company's shares to investors.
22	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
23	Assertion (A): Public issue is the most popular method of raising capital these days by the entrepreneurs. Reason (R): The capital does not have to be repaid and does not involve an interest charge. 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 (R) 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.
24	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
25	Assertion (A): Seed capital refers to the capital required by the entrepreneur for conducting research at pre-commercialization stage. Reason (R): At this stage the idea is transformed into a product and is being produced and sold. 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 (R) 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.
	DESCRIPTIVE TYPE QUESTIONS
1.	(I) Give the meaning of an Angel Investor. (II) Explain the role of an Angel Investor in building an enterprise.
2.	(I) State any two features of Venture Capital Finance. (II) Explain how Venture Capital supports startups during the early stage of their business.
3.	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 ?
4.	A company needs to raise capital and has decided to offer shares to both its existing shareholders and the general public. (I) Identify and explain the methods the company has exercised to issue shares in the given scenario. (II) State one advantage of each of the methods identified in Part (I).
5.	An affluent individual who provides capital for a business start-up and early stage companies having a high-risk, high-return matrix usually in exchange for convertible debt or ownership equity. (i) Identify the source to raise finance available to an entrepreneur discussed in the above lines. (ii) State any four features of the source of raising finance discussed in (i) above.
6.	(I) State the meaning of the term ‘Seed Capital’. (II) Giving reasons, explain the importance of stage of ‘Seed Funding’ for an entrepreneur. (III) Describe any two factors that influence the decision of a Venture Capitalist (VC) to invest in the idea or product.
7.	What is capital market? Explain its importance.
8.	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.
9.	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?
10.	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)
11.	'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.
12.	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.