



INDIAN SCHOOL MUSCAT  
SECOND PERIODIC ASSESSMENT  
ELEMENTS OF BUSINESS (CODE: 154)



CLASS: X

MAX.MARKS: 20

Marking Scheme

1	<p>Trade Credit</p> <p>Two merits of Trade credit are:</p> <p>(i) Trade credit is a convenient and continuous source of funds;</p> <p>(ii) Trade credit is needed to promote the sales of an organisation;</p>				3
2	No	Basis	Owned Fund	Borrowed Fund	3
	1	Meaning	Owned Capital refers to the Capital collected by issuing various types of shares.	Borrowed capital refer to The capital collected by issuing debentures, bonds, taking loans from banks. etc.	
	2	Status	It is ownership or owned capital.	It is debt or borrowed capital.	
3	<p>Sources of Funds on Generation Basis</p> <p>(i) Internal sources of funds are those that are generated from within the business. A business, for example, can generate funds internally by accelerating collection of receivables, disposing of surplus inventories and ploughing back its profit.</p> <p>(ii) External sources of funds include those sources that lie outside an organisation, such as suppliers, lenders, and investors.</p>				4
4	<p>Three sources of funds for Companies</p> <p>(i) Loans from banks &amp; Financial Institutions - They provide short-, mid- or long-term financing, and they finance all asset needs, including working capital, equipment and real estate.</p> <p>(ii) Local and state economic development organization - Economic-development organizations can charge very low interest rates when lending alongside a bank.</p> <p>(iii) Public Deposits - The deposits that are raised by organisations directly from the public are known as public deposits.</p>				5
5	<p>Two merits of raising funds from a commercial bank are as follows:</p> <p>(i) Banks provide timely assistance to business by providing funds as and when needed by it.</p> <p>(ii) Secrecy of business can be maintained as the information supplied to the bank by the borrowers is kept confidential;</p> <p>Two major limitations of commercial banks as a source of finance are as follow.</p> <p>(i) Funds are generally available for short periods and its extension or renewal is uncertain and difficult;</p> <p>(ii) Banks make detailed investigation of the company's affairs, financial structure etc., and may also ask for security of assets and personal sureties. This makes the procedure of obtaining funds slightly difficult;</p>				5