

Ans 1 Meaning and Definition of Capital:-

Capital is the amount which is required to start a new business or money required to expand the existing business. This is long term investment of the money by the entrepreneur in order to start a business activity. A capital may consist of equity share or preference share or combination of both.

Definition of Capital:

- "An amount of money that you use to start a business or to put in a bank etc. so that you earn more money (interest) on it"
- "Capital is a large sum of money which you use to start a business or which you invest in order to make more money"

Fixed Capital :-

Fixed capital is any kind of real, physical

assets that is used repeatedly in the production of a product. It contrasts with circulating capital such as raw material, operating expenses and the like. It was first theoretically analyzed in some depth by economist David Ricardo.

Meaning & definition of Finance

1 Finance -

Finance is a branch of economics that studies management of money and other assets. Finance function means arrangement of necessary funds for business, optimum use of these funds and determination of dividend policy so that value of the firm can be maximized.

Finance is the subject of managing the funds that a company uses. A company uses funds either from internal resources or external and allocates them to areas to maximize profits.

Defination of Finance :-

" The money you need to start or support a business etc "

" The activity of managing money "

" To provide the money to pay for something "

Sources of Finance

(i) Long term sources - A firm need ~~to~~ funds to purchase fixed assets such as land, plant & machinery, furniture etc.

These should be purchased from those funds which have a longer maturity repayment period. The capital required for purchasing these assets is known as fixed capital.

(ii) short term sources! - Funds required for meeting day to day expenses revenue expenditure or working

capital should be financed from short-term sources whose maturity period is one year.

i) Owned capital - owned capital represent equity capital, retained earning and preference of capital

ii) Borrowed capital :- Borrowed capital represent the debenture, term loan, public deposits, borrowing from bank etc. these are contractual in nature. Thus an entitled to get a fixed rate interest.

iii) Internal sources :-

iv) External sources.

These are the seven sources through which funds are organised but you can choose another method.