

Ans - 1 Meaning of Capital - Capital includes all goods that are made or created by humans and used for producing goods or services.

Capital can include physical ~~assets~~ assets such as production plant or financial assets such as investment portfolio.

- Capital can also refer to money invested in a business to purchase assets.

Definition - Capital is a large sum of money which you use to start a business or which you invest in order to make more money.

- Companies are having difficulty in raising capital.

- A large amount of capital is invested in all these branches.

ii Explain Fixed Capital

I Fixed Capital includes the asset and capital investment such as property, plant and equipment that are needed to start up and conduct business, even at a minimal stage.

- These assets are considered fixed in that they are not consumed or destroyed during the actual production of a good and services but have a reasonable value.

- Fixed capital investment are typically depreciated on the company accounting statement over a long period of time - up to 20 years or more.

II. Fixed capital consist of assets that are not consumed or destroyed in the production of goods and services and can be used multiple time

• Property, plant and equipment are standard fixed capital items

• fixed capital assets are usually illiquid items and are depreciated over time.

Meaning and definition of finance

→ Finance is the branch of economics that studies management of money and other assets. Finance function means the arrangement of necessary fund for business optimum use of these funds and determine of dividend policy so that value of the firm can be maximised.

• Finance is the considered to be the life blood of business enterprises.

• Finance investment of fund in long-term and short term and asset, and distribution of earning to owners.

• It is the part of business management which is response for the finance function of the undertaking.

Acc to Howard Upton - Finance management

is application of planning and control functions to the finance function.

SOURCE of Finance

① Long term source of Finance.

② Share Capital and Equity shares.

③ Preference ^{Capital} shares and Preference shares

④ Retained Earning or Internal Accruals

⑤ Debentures and bonds.

⑤ Venture funding.

⑥ Long term source of fund.

②

Medium term source of finance

→ medium term finance means financing for a period of 3 to 5 years and is used generally for two reasons.

one - long term capital is not available for the time being and second when deferred revenue expenditure like advertisement are made which are to be written off over a period of 3 to 5 years.

③

SHORT TERM SOURCE OF FINANCE

→ short term finance means financing for a period of less than one year.

They need to short term

Finance arise to finance the current assets of a business raw material and finished goods, debtors minimum cash and bank balance etc.

Short term finance is also name as working capital financing.

Trade Credit:

fixed deposit for a period of 1 year less.

- Advance received from customer
- Creditor
- Payables
- factoring services
- Bill discounting etc.