Owned or borrowed funds? Why companies borrow

Owned or borrowed funds? is a free 40-minute lesson for Class 12 Business Studies on capital structure. Students match five Indian companies to their reasons for borrowing, then work out how much of each one's funds is borrowed.

5-minute prep

- Print one worksheet per student, or plan to show the student page (cityfort.in/class/borrow-why) on the projector.
- Print and cut one set of company cards and reason labels per group of four (the cards are at the end of this guide).
- Read the ground rule aloud before groups start: we explain differences, we don't rank companies.
- Skim the background on which lines count as borrowed funds.

Class	Senior secondary, Class 11–12 (Commerce)
Time	One 40-minute period. The card match also works as a 15-minute starter.
Edition	2026–27 first edition v1.0
Lesson page	cityfort.in/teachers/debt-cash-and-staying-power/why-companies-borrow

Objective

Students can tell owned funds from borrowed funds on a real balance sheet, name a reason a company borrows, and back it with a fact from its filing.

CBSE units the lesson supports

- Business Studies (054), Class XII, Unit 9: Financial Management (CBSE Business Studies (054))
- Business Studies (054), Class XI, Unit 7: Sources of Business Finance (CBSE Business Studies (054)), in part

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Timing

Minutes	Step	What happens
0–4	**Hook**	Ask: "HUL had ₹0 crore of borrowings on 31 Mar 2026. NTPC owed ₹2,75,634 crore six months later. Why would one large company borrow so much and another not at all?" Students write a guess in Part A.
4–10	**Owned and borrowed funds**	Walk through the made-up school canteen in Part B. The owners put in ₹2 lakh, a bank lends ₹3 lakh for a new kitchen, and a supplier gives 30 days to pay for ₹40,000 of stock. (made-up numbers)
10–24	**Match the cards**	Groups of four get the five company cards and the five reason labels: build long-lasting assets, buy other businesses, pay for day-to-day needs, pay for a government licence over years, and little or no borrowing. Each card has one fact from a filing. Groups match each card to a reason and write the fact that decided it in Part C.
24–32	**Do the maths**	In Part D, students work out the borrowed share of total funds for NTPC and Britannia: borrowings ÷ (borrowings + equity) × 100. They check their answers against the class: NTPC 56.4%, Britannia 37.9%.
32–37	**What decides the mix?**	Whole class: CARE expects NTPC's regulated new capacity to be funded 70:30 debt to equity. JSW Energy borrowed and also raised ₹10,125 crore from new shares and share warrants. Ask which textbook factors affecting capital structure each fact shows. Ground rule: we explain differences, we don't rank.
37–40	**Exit ticket**	Students answer the three exit-ticket questions on the worksheet.

Materials

- The student worksheet (one per student), or the student page on phones or the class projector
- The five company cards from the teacher guide, cut out (one set per group of four)
- The answer key (teacher only)
- Optional: the slides, projected
- A calculator per group

Discussion questions

1. HUL paid ₹10,124 crore of dividends in FY26 and had no borrowings. What does a company need to be able to do that?
2. NTPC spent ₹44,050 crore on new assets in FY26, against cash from operating activities of ₹50,902 crore, and its borrowings still rose. What else could the cash have been used for?
3. Airtel's borrowings include ₹88,713 crore owed to the government for spectrum. How is paying for a licence over many years like a loan?
4. Britannia's borrowings rose from ₹1,358 crore to ₹2,595 crore in six months. Its cash flow statement shows ₹2,172 crore of dividends and ₹975 crore more stock. Is this fixed capital or working capital?
5. Business Studies lists factors that affect capital structure, such as cash flow position, cost of debt and control. Pick one company and name the factor its facts show.
6. What can the borrowed share of total funds not tell you about a company?

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Adapting the lesson

Students still building their English: Pre-teach five words with the word bank: owners' funds, borrowed funds, capital structure, fixed capital and working capital. Students may match the cards in pairs and explain one match aloud.

Students who need more support: Give each group three cards (HUL, NTPC, Britannia) and three reason labels. In Part D, give the formula with the numbers already filled in, so students only divide.

Students ready for more: JSW Energy's borrowings rose from ₹8,893 crore on 31 Mar 2022 to ₹81,274 crore on 30 Sep 2026. It paid ₹16,749 crore for businesses in FY25 and ₹8,571 crore in FY26, and raised ₹10,125 crore from new shares and share warrants. Students explain why a company might use both owned and borrowed funds for the same plan.

Extension: Students take one more company's annual report filed on NSE. They copy borrowings and equity from the consolidated balance sheet, with the page and the date. They work out the borrowed share of total funds and find one sentence in the report that says why the company borrowed. No ranking.

Teacher background

Which balance-sheet lines are "borrowed funds" here?

This lesson counts borrowings only: the lines for non-current borrowings and current borrowings in the consolidated balance sheet. Lease liabilities (rent owed under leases) and trade payables are left out, as the Cityfort pages for these five companies do. The textbook also lists trade credit and public deposits as borrowed funds, so say which lines you count.

Which equity figure does each company use?

HUL, NTPC, JSW Energy and Britannia use the equity that belongs to the company's own shareholders. Airtel uses total equity, which also includes the share of minority shareholders in its subsidiaries, as its Cityfort page does.

Why do power companies borrow so much?

Power stations cost a lot to build and earn for decades. CARE expects NTPC's regulated new capacity to be funded 70:30 debt to equity. ICRA says JSW Energy's present expansion is funded about about 80:20.

Is Airtel's spectrum debt a bank loan?

Most of it is owed to the government. Airtel's borrowings of ₹1,21,671 crore on 31 Mar 2026 included ₹88,713 crore of deferred payments to the Department of Telecommunications for spectrum and AGR dues (licence fees worked out on adjusted gross revenue).

If your class runs a stock-market simulation, these lessons can come before it: they explain what a company does and how it reports results. They do not suggest which companies to choose, and Cityfort does not run, rank or judge simulation picks.

Teaching notes

- Most groups match NTPC to building assets and Airtel to a licence quickly. Britannia takes longer: point to the word "working-capital" on its card.
- Some groups put JSW Energy under building assets. Accept it if they cite a fact; its card also shows payments to buy businesses.

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- If a student asks which company to put money in, say the lesson is about how each business pays for what it needs, and that Cityfort gives no advice.
- All numbers use the consolidated statements: the group, including its subsidiaries.

CBSE units this lesson supports

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- Business Studies (054) Class XII, Unit 9 Financial Management: supports the financing decision, capital structure and the factors affecting it, and fixed and working capital.
- Business Studies (054) Class XI, Unit 7 Sources of Business Finance: partial. Students meet owners' funds and borrowed funds on real balance sheets, but not every source the unit lists.

student page

Scan the code or type: **cityfort.in/class/borrow-why**

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Cards to print and cut out

Card 1: Hindustan Unilever (31 Mar 2026)

- Borrowings: none
- Paid dividends and bought two brands in FY26 from its own cash
- Reason label: _____

Card 2: NTPC (30 Sep 2026)

- Builds power stations that run for decades
- Capex in FY26 used most of its cash from operations
- Reason label: _____

Card 3: JSW Energy (30 Sep 2026)

- Bought a coal plant and a renewable business in 2025
- Also raised money from new shares and share warrants
- Reason label: _____

Card 4: Britannia (30 Sep 2026)

- Working-capital borrowings rose in six months
- It also paid dividends and put more cash into stock
- Reason label: _____

Card 5: Bharti Airtel (31 Mar 2026)

- Most of its borrowings are owed to the government
- For spectrum bought at auction and licence dues
- Reason label: _____

Reason labels (cut apart)

- Build long-lasting assets (fixed capital)
- Buy other businesses
- Pay for day-to-day needs (working capital)
- Pay for a government licence over years
- Little or no borrowing

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Sources

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Credit and licence

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