



INSTITUTE OF ACTUARIAL
& QUANTITATIVE STUDIES

Subject: Business finance 1

Chapter: Unit 2

Category: Practice question

1. Subject CT2 April 2010 Question 13

An unquoted company wishes to raise a large loan in order to invest in a major new project. The finance director has proposed issuing bonds that have a significant number of warrants attached. Describe the advantages and disadvantages to the company's existing shareholders of attaching warrants to the bond issue.

2. Subject CT2 September 2010 Question 11

Explain why a small business should take great care in managing its overdraft.

3. Subject CT2 September 2011 Question 11

Trade credit and debt factoring are both used to provide businesses with short term finance. Describe the main features of each.

4. Subject CT2 September 2011 Question 17

Explain why it may not be appropriate for management to choose the least expensive source when raising fresh finance.

5. Subject CT2 April 2012 Question 16

Explain how there could be a conflict between the interests of directors and shareholders over the raising of additional finance, where the directors would prefer the company to issue equity and the shareholders would prefer the company to borrow.

6. Subject CT2 April 2013 Question 13

A company's directors are considering issuing redeemable preference shares as an alternative to borrowing. They believe that the company is too close to its borrowing capacity and so equity is preferable to debt.

Outline the implications for the company of issuing redeemable preference shares in these circumstances.

7. Subject CT2 September 2014 Question 12

Discuss the circumstances in which non-recourse factoring might be an appropriate means of obtaining finance.

8. Subject CT2 April 2015 Question 12

Describe the advantages and disadvantages of issuing debenture stocks in order to raise finance.

9. Subject CT2 September 2015 Question 13

Discuss the potential advantages and disadvantages of using a finance lease to acquire an asset rather than borrowing the cost of the asset in order to purchase it outright.

10. Subject CT2 April 2018 Question 12

Describe the usefulness of bank overdrafts in managing a company's working capital requirements.



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