

Business finance assignment 2

1. liquidity preference, in economics, **the premium that wealth holders demand for exchanging ready money or bank deposits for safe, non-liquid assets such as government bonds.**
2. Conflicts of interest may arise anywhere in an organisation., However some activities and functions may put employees at greater risk of a conflict of interest because of their ability to make decisions that benefit others. These include: Making binding decisions including: **Issuing determinations on matters.**
3. The **financial matters like trend of profit, existence of earned surplus, cash position, reaction of shareholders, economic policy of the nation,** need for expansion, and nature of the enterprise trade cycle, age of the company, government taxation policy are determinants of dividend policy.

4. **Sole Proprietorship**

Sole Proprietorship is when there is one owner of the business. The owner does not need to register his firm with the government. The proprietor has unlimited liability. The proprietor can withdraw funds from the organization at will. This is called drawings. The proprietor need not seek anybody's permission before making such withdrawals.

Partnership

Partnership is when there are multiple owners of a business. The partners may have a equal share of profit or loss or as decided amongst them. Partners in profits only are also legally allowed. The partners too have joint unlimited liability. Their withdrawals from the firm are however controlled. They can withdraw money only to the extent decided in the partnership agreement. If they require more than the above amount, they may be required to attain explicit consent of the other partners

Joint Venture

Joint Venture is when two organizations come together for a specific purpose. It is like a partnership, except for the fact that it is meant to achieve a common purpose after which the parties to the joint venture proceed their own way.

Corporations

The most common type of organizations today is corporations. This is because corporations have limited liability. This feature helps their owners separate the ownership and management of the business. There are two types of corporations:

- **Private Limited Corporation:** A private limited corporation may not be required to disclose its information to outside parties.
- **Public Limited Corporation:** A public limited company solicits money and other resources from the general public and hence results pertaining to its performance must be made public.

Apart from the following there are co-operative organizations, not for profit organizations etc. They too are different types of entities. The type of entity has a profound effect on the accounting system of the organization.

5. **Separate Legal Entity.** An entity means something which has a real existence; a thing with distinct existence. ...

Uninterrupted existence. ...

Limited Liability. ...

Free & Easy transferability of shares. ...Owning Property. ...Capacity to sue and be sued. ...Dual Relationship. ...Borrowing Capacity.

6. The Modigliani-Miller theorem states that **a company's capital structure is not a factor in its value**. Market value is determined by the present value of future earnings, the theorem states. The theorem has been highly influential since it was introduced in the 1950s.
7. Working capital, also known as net working capital (NWC), is **the difference between a company's current assets**—such as cash, accounts receivable/customers' unpaid bills, and inventories of raw materials and finished goods—and its current liabilities, such as accounts payable and debts.

Fixed capital is **the value of capital assets available for production purposes at a given point in time**. ... Fixed assets consist of dwellings, other buildings and structures, machinery and equipment, weapons systems, cultivated biological resources, and intellectual property products

8. A sale is **a transaction between two or more parties in which the buyer receives tangible or intangible goods, services, or assets in exchange for money**. In some cases, other assets are paid to a seller

9.

10. I would choose 2nd scenerio which is neither of it

11. having too **much stock equals extra expense** for you as it can lead to a shortfall in your cash flow and incur excess storage costs. having too little stock equals lost income in the form of lost sales, while also undermining customer confidence in your ability to supply the products you claim to sell.