BF – Assignment

Roll – 35

1) Liquidity preference refer to preference of investors to hold liquid assets rather than securities or long term bearing investments

Eg; Investors after tend to demand a higher interest rate or premium on securities

4) Types of Business Entities are:-

i) Sole Trader :- Owned by a single person unlimited liability & is not a limited company

ii) Partnership – Owned by more than one person, partners are equally liable.

iii) Limited Company – Owned by shareholders limited liability, legal identity

iv) Limited Liability Partnership (LLP)s – Separate legal identity, owned by members of company

3) The factors that influence the divident policy

i) Stock Market

ii) growth opportunities

iii) Stability & ~~consistenten~~ consistency with previous dividends

iv) Investors prefer dividends because of taxation of capital gains

5) He should start as a sole trader because he has to pay a normal income tax in respect of business while in a limited company, company has to pay tax on profit & employees also have to pay tax on their salaries

6) Modigliani & Miller's irrelevance proposition
i) The market value of a firm is independent of its capital.

ii) Expected rate of ~~return~~ return of a stock of a firm increases in proportion to debt equity ratio

7) Working capital is cash or other liquid assets that business use to cover day to day application operation like paying bills and payrolls of employees

Fixed capitals include the assets or investment needed to start and maintain a business like plant, property etc

10) Scenario 2 is better then scenario 1 because of time value of money if we lose 1000 rs and then get back we will lose some money.

11) → Price of damaged or spoiled goods

→ Storage Space

→ Labour

→ Insurance