1. <u>Distinctions</u>

Traditional Patnerships	LLP
→ Unlimited personal liability of each partner for dues of the partnership firm. Personal property of each partner also liable.	→ No personal liability of partner, except in case of fraud.
→ Written agreement is not essential	→ Incorporation document essential
→ Partnership can be registered under Partnership Act. Registration is not mandatory.	→ LLP is incorporated under LLP Act, incorporation is mandatory.
→ Property can not be held in name of partnership firm	→ Property can be held in the name of LLP.
→ Partnership can be 'at will' i.e any partner can resign or dissolve firm	→ Individual partner can resign but can not dissolve the LLP.

Similarities between

Traditional Partnerships ~~between~~ & LLP

→ Partner is not employee of firm
→ New partner can be introduced only with consent of all existing partners
→ Partner liable to firm for any personal profits made by him by use of property, name or business connection of firm.

2. Shareholder value increases when a company earns a higher return in its invested capital than the capital's cost, creating profit.

To do this, a company can find ways to increase revenue which is good for company itself, operating margins (By reducing expenses) and / or capital efficiency.

4.

Private Ltd	Public Ltd
→ Private Ltd company is neither listed on the stock exchange nor are they traded. It is privately held by its member only.	→ Public Ltd company is listed on a recognized stock exchange and the stocks are traded publicly.
→ Min no. of members required to start a private company is two (2).	→ Min no. of members required to start a public company is (7).
→ There is no compulsion to call a statutory general meeting of members	→ It is compulsory to call a statutory general meeting of members.
→ Private company can start its buisness right after its incorporation.	→ Public company will require a certificate of commencement post incorporation to begin its operation.

5. Advantages of proprietorship

- A proprietor has complete control and decision making power over the buisness
- NO coporate tax payments.
- sale or transfer can take place at the discretion of the proprietor
- Minimal legal costs to form.
- Few formal buisness requirements.

Disadvantages

- The proprietor of the buisness can be held personally liable for the debts and obligations of the buisness.
- All responsibilities and buisness decisions fall on the shoulders of the sole proprietor.
- Investors won't usually invest in proprietorships.

1. <u>Financial lease</u> – The owner buys the vehicle and rents to the user who will have a purchase option at the end of the lease.
The lessee will not face a high upfront cost as when purchasing the vehicle outright:

→ They will be responsible for all risks, just as if they owned the asset and the vehicle will be shown on the balance sheet.
→ Rental payments are made by the user during the lease period, with a balloon payment at the end if preferred.
→ At the end of the lease, the customer can pay the balloon payment and keep the vehicle.

<u>Operating lease</u> → is a type of rental agreement. It has a shorter term, we are able to upgrade to a new vehicle regularly. We may even be able to do this whilst the lease is still in force.

→ The main difference between these 2 leases is that the user will not be able to buy the vehicle during the period of the lease in an operating lease.

→ In an operating lease
→ The user has access to the vehicle for a set time period in return for making regular ~~mont~~ monthly payments.

→ Risks remain with the lessor with the plan being for the vehicle to be returned to them at the end of the term.

→ The vehicle is expected to maintain a residual value, which is forecast at the beginning of the lease.

8.

i) **Convertible** – A convertible is a bond, preferred share, or another financial instrument that can be converted by the shareholders into common stock.
Convertibles are most often associated with convertible bonds, which allow bondholders to convert their creditor position to that of an equity holder at an agreed-upon price.

ii) **Warrant** – Warrants are a derivative that give the right, but not the obligation, to buy or sell a security – most commonly an equity – at a certain price before expiration.
Warrants that give the right to buy a security are known as call warrants.

iii) Convertibles bonds allow investors to exchange the bonds for a stated number of shares of the firm's common stock. This conversion feature offers investors the potential for high returns if the price of the firm's common stock rises.

iv) Running yield of convertible must be greater than equity because running yield ignores capital gains, but in addition to dividend income, share holders also expect to make a capital gain from their equity investments. Since only the dividend income is factored into the running yield calculation, the interest income on the debt will be higher.

6. Short - Term funds.

→ The main sources of short term funds are -

i) Trade Credit - A firm customarily buys its supplies and materials on credit from other firms, recording the debt as an account payable.

ii) Commercial bank loans - As a firm's financing needs grow, banks are called upon to provide additional funds. The firm signs a conventional promissory note. Repayment is made in a lump sum at maturity or in installments throughout the ~~life o~~ life of the loan.

iii) **Commercial paper** - It consists of well-established firm's promissory notes sold primarily to other buisnesses, insurance companies, pension funds and banks.
It is issued for periods varying from 2 to 6 months.

iv) **Secured Loans** - Secured loans are buisness or personal loans that require some type of collateral as a condition of borrowing. A bank or lender can request collateral for large loans for which the money is being used to purchase a specific asset.