

Question 1.

Traditional Partnership	LLP
Unlimited personal liability of each partner for dues of the partnership firm. Personal property of each partner also liable. Not a legal entity separate from its partners Partners are not employees of the firm	No personal liability of partner, except in case of It is a separate legal entity. Partners are not employees of the LLP.

It would be best if they became an LLP as it's basically a traditional partnership along with the addition of limited liability.

Question 2.

Question 3.

He should opt for convertibles as they offer opportunity to combine the lower risk of a debt security with the potential for large gains of an equity,

Question 4.

A public limited company is a company listed on a recognized stock exchange and the stocks are traded publicly. On the other hand, a private limited company is neither listed on the stock exchange nor are they traded. It is privately held by its members only

Question 5.

Advantages of sole proprietorship include that:

- you're the boss
- you keep all the profits
- start-up costs are low
- you have maximum privacy
- establishing and operating your business is simple
- it's easy to change your legal structure later if circumstances change
- you can easily wind up your business.

Disadvantages of sole proprietorship include that:

- you have unlimited liability for debts as there's no legal distinction between private and business assets
- your capacity to raise capital is limited
- all the responsibility for making day-to-day business decisions is yours
- retaining high-calibre employees can be difficult
- it can be hard to take holidays
- you're taxed as a single person the life of the business is limited.

Question 6.

The following can be used:

Bank overdraft: it is a form of Short-term borrowing from a bank where the borrower is granted a facility to draw money out of her current account such that it becomes negative down to an agreed limit the borrower pays interest only on the amount by which they are actually overdrawn no explicit capital repayments are made

trade credit: it is an agreement between a company and one of its suppliers to pay for goods or services after they have been supplied

Factoring:

There are two types

Non recourse factoring: it is where the supplier sells on its trade that to a factor in order to obtain cash payment of the account before their actual due date.

The factor takes over all responsibility for cr

edit analysis of new accounts, payment collection and credit losses.

Recourse factoring: an entity has to send the invoices to the client with a condition that the entity will purchase back any invoices that remains uncollected this means that the factor is not taking any risk of the uncollected invoices.

Bills of exchange: it is an instrument in writing containing an unconditional order signed by the maker directing a certain person to pay on demand or at fixed or a dumb enable future time a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.

Commercial paper: is a short-term debt instrument issued by companies to raise funds generally for a time period up to one year. It is an unsecured money market instrument issued in the form of a promissory note

Question 7.

Under an operating lease the owner of the acid will retain most of the risks associated with ordering that set the lease will be for a period substantially shorter than the likely life of the asset.

Under finance lease the lease takes on most of the risks associated with ordering the acid. Release should be for a period similar to the likely life of the asset.

Question 8.

l) they are unsecured loans stocks or preferential shares that convert into

ordinary shares of the issuing company. This additional prospective returns means that the issuer does not have to offer excessively high rates of interest on the loan stocks to attract lenders.

II) A warrant is a security that entitles the holder to buy the underlying stock of the showing company at a fixed price until the expiration date

iii)

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