Business Finance -1
Assingnment
Kaishangi Trivedi

(1)(i) In a traditional partnership a business can be owned by more than one person and it is not a limited company.

(ii) All the partners are jointly liable for the business debts.
(iii) If there is a deficiency of the Partnerships all partners are liable to the full extent of their personal estate.

(iv) In a Limited Liability Partnership (LLP)
i The Business is a seperate legal entity. LLP gives the combined benefits of limited company and a partnerships.

(v) In ~~LLP~~ two or more members (not partners)
(vi) LLP is responsible for its asset and liabilities but the Liabities of its members is limited.
(vii) The Liability of the members of LLP is limited only to the fully paid values of their shares.

I suggest Limited Liabity Partnership as the owners' personal assets will be safe in event of liquidation. It would also be comparitively easier to get large number of people to invest in small amount. Hence, it will also help on diversifying their exposer to sectors.

Q.2.) i) I think that more than a corporation which has higher earning; share holders give more value to a loyal corporation

(ii) Even if a company ~~does~~ doesn't issue regular dividends; and they decide to plow back their profits to increase the purchase of new assets required for betterment, development and expansion of the company.

(iii) Any shareholder would be happy to invest in a company that shows steady growth.

Q3. Mr. Kevin should subscribe to convertible.

(i)(1) Convertibles can be described as a combination of ~~&~~ debt security or PSC ~~and~~ that have lower risk with the higher earning of an equity share ~~of~~ capital.

(ii) Convertible are basically unsecured ~~be~~ debts or PSC which can be converted into ordinary equity shares of the same company.

(iii) This date of conversion is specified and decided before hand.

(iv) As this date ~~d~~ come nearer it will be clearer whether the convertible should stay as a loan stock or become ordinary shares.

(v) If ~~a~~ Mr. Kevin decides not to convert it into ordinary shares. The convertible may continue as unsecured loan stock or Preference share capital.

(vi) ~~ESC~~ ESC can be a good option too but they are highly risky. They can offer high earnings but it will need a lot of time and ~~patin~~ patience to get there.

(vii) PSCs are less common than ordinary shares; PSC holders have a preferencial right to dividends & or capital repayment.

(viii) It is not compulsory to pay dividends to PSC holders however if ~~p~~ it isn't paid to PSC holders; dividends can be paid to ~~share~~ ordinary share holder either.

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(ix) The ~~a~~ rate of Return of ~~RSC~~ PSC is lesser than ESC because the risk is also less

(x) Convertibles generally provide higher income than ESC and lower income the PSC or unsecured debts. But it is a safe option with good earning hence, I think Convertibles is the best choice.

(21) (i) A Private limited company's name must end with the word ~~limited~~ 'Limited' (or - LTd). Whereas a public limited company's ~~the~~ name must end with the words 'public limited company' or the words 'plc' or 'PLC'.

(ii) A Public limited company's documentation states that its a Public limited company with an issued share capital of at least £ 50000.

(iii) It is the requirement of the Stock Exchange that a company that wants to have a full stock Exchange must be a public limited company hence private companies cannot issue shares to the public.

(iv) A Private limited company can easily ~~reg~~ re-register as a public limited company.

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Q5. A proprietorship busines or a sole trader is a business which is owned by only one person and is not a limited company.

There are many pro to sole trader like.

(i) Sole trader definition refers to the ownership of the business only, hence a sole trader and appoint employees working for them.

(ii) A sole trader decides what to do with a business; eg hiring a manager or passing it on to a family member. etc.

(iii) They can take out money from their company as they please.

(iv) There is no legal documentation required to establish proprietorship business.

One of the Biggest cons of sole trader business is that the sole trader has unlimited liability. Hence, the sole trader's entire personal wealth including their house, bank deposits, and other assets are available to pay off trading liabilities.

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Q.6.] 1) Commercial Paper:

(i) It is a form of a short-term borrowing issued by companies to raise finance.

(ii) It is issued at discount and redeemed at par.

(iii) It is not listed on Stock Exchange.

But to issue Commercial Paper Delta corp. must fulfill the following standards.

a) It should be listed on London Stock Exchange.

b) Issue a statement that the comply with requirements of the stock exchange and there have been no adverse changes sine they last published accounts in accordance with Stock Exchange Rules.

(2) Bill of Exchange.

Bill of Exchange is effectively a claim to the amount owed by a purchaser of goods on credit and may be 'accepted' by a bank.

This means that the bank guarantees payments against the Bills to whomsoever holds the bill at maturity.

This bill of exchange can be used to raise short term finance.

Bills of ~~cha~~ exchange carry the name of both the company & the accepting bank.

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5. Bank Overdrafts:
It is a form of short-term borrowing from
Q7. a bank where borrower can draw money out of a current account such ~~th~~ that it becomes negative, down to an agreed limit.

The interest is paid only on the the amount by which they were overdrawn.

Overdrafts made to companies are usually secured by floating charge.

Q7. A lease is an agreement where owner of an asset gives the lessee the right to use the asset over a period, in return of a regular series of payment.

In Operating lease: The owner of the asset will bear most of the risks associated with owning the asset.
The ~~le~~ lease will be for a period substantially shorter than the likely life of the asset.

In financial lease the lessee takes on most of the risks associated with owning the asset.
The ~~le~~ lease will be for a period of time similar to the likely life of the asset.
The Present value of payments under the agreement is shown in the lessee's balance sheet twice; as an asset and as a corresponding liability.

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Q.8.

(i) Convertible: Same as part (1) of Q.3.

(ii) Warrant: Warrants are a derivative that give the right, but not the obligations to buy, or sell a security (usually an equity) at a certain price before expiration.

Warrants allow the investors ~~to~~ to buy and underlying security at a certain rate in the future.
Convertibles, on the other hand allow investors to convert their security into the common stock in the future.

(iii) Convertible is one of the safest and ~~most~~ one of the most attractive option for raising long term funds.
Before the date of conversion; the investors receive a fixed income. If the investor choose not to ~~c~~ convert it into an ESC; these fixed incomes continue for a period of time.
If the investor wished to convert it into an ESC they can ~~can~~ trade it immediately and receive the capital appreciation on the equity or they can enjoy the dividend (if issued) by the company.
Hence it is traded at a higher price.

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(iv) Running ~~yid~~ yield is the annual income on an investment divided by its current market value. For equit it is the income from divides divided by the ~~stock price~~ market price of the stock.
& For Convertible it is the income from the coupons divide by the market price of the ~~co~~ bond.
Since it is possible that companies may or may not pay regular dividends ~~as~~ and in convertible there is a fixed stream of income from the regular coupons: the running yield of the convertible must be greater than equity.