BUSINESS FINANCE HW(ROSHAN MEHTA)

ANS-1)

Traditional Partnership:- Partnership is an arrangement where 2 or more people come together to carry/run a business by sharing profits and losses equally and mutually.There is no such separate legal entity, the partners are together a firm.

LLP(Limited Liability Partnership):-LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership.The LLP is a separate legal entity, is liable to the full extent of its assets but liability of the partners is limited to their agreed contribution in the LLP.

ANS-2) I think the CFO’s view makes sense till some extent as a corporation/company making higher earnings will obviously benefit the shareholders and therefore they will value the corporation, but at the same time shareholders are more fond of earnings per share(EPS) that states the earnings available and divided by common outstanding stocks. The higher the EPS ratio the more shareholders are attracted.

ANS-4) A Public Limited company is listed in a recognized stock exchange and shares are traded publicly,whereas, a Private Limited company is not part of the stock exchange therefore not listed and is not traded publicly, the members are the sole owners of the business.

ANS-5) Pros of Proprietorship:-

1)Easy to establish

2)Sole benefits of the profits as the only sole owner.

3)Tax only on higher returns.

4) Privacy.

Cons of Proprietorship:-

1)Unlimited Liability

2)You are fully responsible for liabilities and debts.

ANS-6) There are few ways to short term funding for working capital for short period time:

1)Short term loan- a short term provides a lump sum amount of cash with a floating interest and a fixed time.

2)LOC:-A business line of credit (LOC) is a revolving loan that allows access to a fixed amount of capital, which can be used when needed to meet short-term business, needs.

ANS-7) Financial lease:-A financial lease is generally treated as a loan. Here, asset ownership is considered by the lessee, so the asset appears on the balance sheet.

Operating Lease:-An operating lease is generally treated like renting. That means the lease payments are treated as operating expenses and the asset does not show on the balance sheet.

ANS-8)

1) Convertible:- A convertible is a bond, preferred share, or another financial instrument that can be converted by the shareholder into common stock.

2)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.

3)Convertible 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. Because of this feature, the bonds can be issued at a higher price.

4)A portfolio's running yield identifies the income or return that investors realize from all currently held investments. Investors can use running yield values to compare portfolio performance over time and to determine if the portfolio needs to be changed.