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3/12 Assignment:

1. The four practitioners can have a set up with a LLP format. Since they are all going to be a part of the set up activity, being in a traditional partnership is not as beneficial for them. In LLP they will have liability only for their share of the company and assets. They can set their own rules ~~and~~ as per their convenience. There will be no directors and shareholders that they will be responsible for and answerable to.

2. Maximisation of shareholder's wealth is the most essential ~~and~~ agenda for company. The new CFO's point of view is not entirely wrong while a lot of shareholders also expect consistency ~~of~~ and stability of the company's finance. The attitude of shareholders also varies according to their needs & objectives: attitude towards risk, time preference and consumption needs, balance between

the need for income and for capital growth ; and tax position.

3. Mr Kevin should preferably opt for convertibles since they are convenient. He can convert his preference shares to ordinary shares at a later ~~stage~~ date. The date of conversion might be a single date, or at the option of the holder. They generally provide a higher income than ~~to~~ ordinary shares and lower income than ~~a convertible stock~~ conventional stock or preference shares. There ~~is~~ generally ~~less~~ will be less volatility in ~~the~~ the ~~share~~ price of the convertible than in the share price of the underlying equity. They offer the opportunity to combine the lower risk of the debt security with the potential for large gains of an equity.

4. A public limited company is a company whose documentation states that it is a public company and which has an issued share capital of atleast £50000. The name of a public limited company must end with the words 'public limited company (PLC/plc)'.

All other limited companies are classed as private limited companies. A private limited company's name should end with the word ~~limited~~ 'limited' (LTD/ltd). A ~~public~~ private limited company is not allowed to offer it's shares to the public.

It is a requirement of the Stock Exchange that a company that wants to have a full Stock Exchange listing must be a public limited company.

5. A proprietorship will mean that Ms. Mohit will be the sole owner of the company and

it will not be a limited company. He will have unlimited legal liability for the business debt. This definition only refers to ownership of the business. ~~They~~ He can have employees working under him. There is no specific documentation ~~to~~ that he will need to legally establish this form of a business entity. He can take all decisions by himself without being answerable to anyone but that will come with 100% ~~to~~ sole risk bearing.

6. To raise short ~~ter~~ term capital funds Delta corps can: issue bank overdrafts, trade credit, opt for factoring, issue bills of exchange, commercial papers.

- Bank overdrafts are a form of short term borrowing from a bank, where the borrower is granted the facility to draw money out of a ~~curre~~ account such that it becomes ~~or~~

negative, down to an agreed limit.
- Trade credits is an agreement between a company & one of its suppliers to pay for goods or service after they have been supplied.
- Factoring can be of 2 types; ~~[illegible]~~ non-recourse where supplier sells on it's trade debts to ~~its~~ a factor in order to obtain cash payment of the accounts before their actual due date whereas recourse only provides early payments early payment of invoices.
- Bills of exchange are an effective claim to the ~~[illegible]~~ amount owned by a ~~particular~~ purchaser of goods on credit ~~[illegible]~~ and may be 'accepted' by a bank. ~~[illegible]~~ (2 name)
- Commercial paper is a single name, ~~[illegible]~~ bearer document ~~that is purchased~~ for large denominations which are issued at discount & redeemed at par.

1. A lease ~~is~~ an ~~operat~~ agreement where the owner of an asset gives the lessee the right to use the asset over a period, in return for a series of regular payments. Legal ownership doesn't change hands. Two types are: operating & finance lease:

- Under an operating lease, the owner of the asset will ~~bear~~ retain most of the risks associated with owning the asset & the lease will be for a period substantially shorter than the likely life of an asset.
- ~~Under~~ Under a finance lease, the lessee takes on most of the risks associated with owning the asset. The present value of the payments under the agreement is shown in the lessee's balance sheet ~~twice~~: as an asset & as a corresponding liability.

8(i) convertibles — convertible forms of company securities are, almost invariably, unsecured loan stock or preference shares that convert into ordinary shares of the issuing company. This additional prospective return means that the issuer does not have to offer excessively high rates of interest on the loan stocks to attract lenders.

(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. The price at which the underlying security can be bought or sold is referred to as the exercise price or strike.

(iii) convertibles are ~~priced~~ traded at a higher price than equity stock since the generally produce higher income as compared to ordinary shares and they combine lower risk of a debt security with the potential for gains of an equity.

(ix) Financially weak companies will issue convertibles just to reduce their cost of financing with no intention of the issue ever being convertible; Therefore as general rule running yeild of convertibles must be greater than the Equity.