Assignment - 2

① Liquidity preference refers to the prefrence of the investor to hold liquid assets rather than securities or long-term interest bearing investment.
e.g: Investor prefer liquid holding or cash

② i) yes, ~~Thare~~ There are change when company are listed in the Indian Stock Market
ii) They can decrease Their divident as they invest money in market.
iii) They can opt for stock dividant also
iv) The name of company can also get great fare
v) The conflict can be solved by changing some dicision.

③ factor Influsncing the dividant policy

i) Stock Market
Significantly adverse reaction to annoucement of divident can be displayed

ii) Groth ~~Appor~~ opportunity:
Company have a demand to capital investment to be in compitition. This exceed their borrowing abilities, and loans. They prefer to pay low dividant, rather than making frequent right issue.

iii) Cash Reserve.
Companies have large cash reserve accumulated over the year a takeover bid & hence

~~my~~ may wish to distribute the profit thereby incresing shareholder loyalty & limit the sign of cash pile.

iv) Tax:

Non-Tax paying shareholder will that compan distribute large amount of earning in divide

v) Stability of Consistancy:

Companies with high divident policy ~~attract~~ attracts the investor.

④ i) Sole proprietership:-

- ownership -

owned, managed & controlled by an individual who is the reciver of all profit and bear all the risk.

- Liability -

unlimited liability

- legal status -

No specific documantation is required for this business.

ii) partnership :-

- ownership -

The business is own by more than one persons in equal or unequal ownership.

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- Liability —
  unlimited liability of all the partners.

- Legal status —
  may have partnership agreement.

iii> Limited Company :-

- Ownership —
  It has seprate legal identity from the owners.
  Shareholder are owner of the company

- Liability —
  The owners liability is to fully Paid value of their share.

- Legal Status —
  They have Memorenda of Association & Articals of Association.

iv> Limited Liability Partnership :—

- ownership —
  Two or more member are engage in a profit making venture.

- Liability —
  liability of all members are limited

- Legal Status —
  No MoA and AOA are required.

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⑤ Individual should opt for sale propreitership Insted of floting a limited company as the former pays loan taxes. This is because a corpration is treated as a seprate entity meaning that it has to pay state as well as federd taxes on the money they earn.

⑥ Modiylani & miller's irrelevance proposition suggest that make value of company is independent of its capital structure. They belive that the market value of company is determine by its ~~company~~ Investment decision not by its financing decision.

⑦ Working capital is the cash or other liquid assets that business used to come day to day opration like paying bills & payrolls of employees. It is the difference between a company current asset an liability.

⑧ Economics of scale refers to the proportional saving in cost gained by on incrreased level of production. This can be done by buying input required for the production or causing advanced and better tecnology & getting rid of the obsole one.

⑨ If a benison fund or Investment company must report its financial position every year it may be more ~~d~~ adverse to very short term investment losses than it had to respect only every there year, it might therefore result in the fund investing less heavily in equities, it possibely also.

(10) Scenario 2 is preferred over 1 as in the first case potentially losing out on the time value of money even if its for a very insignificant amount of time In the 2nd scenario we can potentially Invest the 2000 ₹ & earn some amount in that one day even if it's a small amount of time

(11) Holding cost are thoese associated with storing investor that remain unsold. the cost could include.

i) labor
ii) storage space
iii) price of demand
iv) insurence
v) spoil good.