classmate
Date
Page

① LIMITED LIABILITY PARTNERSHIP

This is a business vehicle that gives the benefits of limited liability whilst retaining other characterstics of a traditional business partnership.

- They have limited liability.
- They have limited paperwork

PARTNERSHIP

A partnership is a business which is owned by more than one person & is a limited company.

- They have unlimited liability
- They have limited paperwork

I would suggest them to form a LLP as it has all charactorstics of partnership with limited liability.

2) Mr. Darshan Lodha, CFO is right that shareholders give more value to corporations which have higher earning. All the shareholders want more higher return for what they invest.
Share market tells us the performance of the company. It tells us the current and future expected performance of the company. So investors tend to invest in companies which give higher return.

3) He should invest in Preference share capital of a startup.
It has quite low risk than equity share capital and also is preffered in giving dividends.
And these preference shares could be converted into equity shares if the shareholder wants to.

4) Limited companies can be divided into two forms Public limited companies and private limited companies

Public limited company has an issued share capital.

- It can be listed in stock market
- The name must be ending with 'Public limited company'. (PLC)

Private limited company does not have an issued share capital

- It cannot be listed in stock market
- The name must be ending with 'limited'. (Ltd.)

5) A proprietorship is a business which is owned by one person.

Pros:-

- They are the only owner
- They can decide what to do with the business
- The sole trader can draw out money from business anytime

- Very less documentation is required.

Cons :-

- The sole trader has unlimited liability

6) SHORT TERM COMPANY FINANCE

i) Bank overdraft :- An overdraft is a form of short - term borrowing from a bank where the borrowing is granted a facility to draw money out of a current account such that it becomes negative, down to an agreed limit.

ii) Trade credit :- Trade credit is an agreement between a company and one of its suppliers to pay for goods or services after they have been supplied.

iii) ~~Supp~~ Factoring : An alternative way of financing the trade credit that they have to give is to use factoring
There are two types of factoring :

Scanned by TapScanner

ii) Non-Recourse Factoring

Non-Recourse factoring is where the supplier sells on its trade debts to a factor in order to obtain cash payment of the accounts before their actual due date.

b) Recourse Factoring

Recourse Factoring only provides early payment of invoices. Credit risk remains with the original supplier.

iv) Bills of Payment :- A bill of exchange may be "accepted" by a bank. This means that the bank guarantees payment against the bill to whomsoever holds the bill at maturity.

v) Commercial Paper : Commercial paper is a single name form of short-term borrowing used by large companies. It comes in the form of bearer documents for large denominations which are issued at a discount and redeemed at par.

7) Operating Lease

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

Finance Lease

Under a Finance Lease, the leasee takes on most of the risks associated with owning the asset. The lease will be for a period similar to the likely life of the asset.

8) i) Convertible preference shares are preference shares which give the right to convert into ordinary shares at a later date. The investor does not pay anything to convert other than surrendering the

convertible preference shares.

ii) Warrants are call options written by a company on its own stock.
The purchaser of a warrant has the right but not the obligation to buy a fixed number of the company's shares at a fixed price at a fixed date.

iii) Because convertibles do not benefit from the dividend growth enjoyed by ordinary shareholders convertibles generally provide higher income than ordinary equity stock.