Please review the materials listed below and answer the questions. Your answers should be comprehensive.

1. Corporate finance deals with investment decisions (also called capital budgeting or capital expenditure or CAP-EX for short), financing decisions, and working capital management decisions. What are these decisions? Describe in one to two sentences. Also, provide one real-world example (can find in finance press or create your own) for each decision.  
**Answer:** CAP-EX can be understood as decisions that use company funds to “…acquire, upgrade or maintain physical assets such as property, industrial buildings, or equipment” (Tamplin, 2023). An example of a coupleCAP-EX decisions can be identified regarding business start ups with spending money on market research or environmental impact assessments. These startup costs could be broken into two categories: capital expenditures or operating expenses. A real example that is happening currently can be found on this [link](https://wirelessestimator.com/articles/2024/capex-climbs-at-big-3-carriers-offering-the-industry-niche-opportunities/). The story talks about how the big three communications companies are currently expanding their network to acquire more consumers. Specifically, AT&T is increasing their physical reach by investing in more fiber connections for AT&T, for instance, to increase revenue.

2. Read the relevant section from the book chapter and discuss the roles of Chief Financial  
Officer (CFO) in the US corporate firms. Additionally, read/watch <https://www2.deloitte.com/us/en/pages/finance/articles/gx-cfo-role-responsibilities-organization-steward-operator-catalyst-strategist.html>. and what CFOs are expected to do beyond making above discussed finance functions.

**Answer:** The video on Deloitte’s website discusses the four different sectors of a CFO’s jobs, according to them. These four sectors include Catalyst, Strategist, Steward, and Operator. In summary, CFOs are stewards of the vital assets that the company, and they have a responsibility to “… communicate value and risk issues to investors and boards” (Deloitte, 2022). The Operator’s tasks are comprised of providing financial expertise to the company. They must ensure they are moving the company forward with the savviest financial plan possible to ensure the goals of the organization are within reach. The Strategist component is self-explanatory because the CFO sits at the executive leadership table. However, to dial in deeper, their financial expertise brings the element of success and what’s currently possible with the capital the company has as well as what is achievable in a particular timeline based on certain financial analytics. To achieve these goals, the company will likely need to invest, and the CFO will play a large role in selecting smart investments that best suit the organization’s long and short-term goals. The Catalyst role is the last of the four sectors. The Catalyst must support the mission of the company and drive success/ innovation to produce results for the organization with their influence.

3. Go to: <https://www.nolo.com/legal-encyclopedia/learn-about-business-ownership-structures-29785.html>

• List the different types of business ownership structures discussed on this page.

**Answer:** The different types of business ownership structures discussed on this page include sole proprietorship, partnership, limited partnership, limited liability company (LLC), corporation (for-profit), nonprofit corporation (not-for-profit), and cooperatives.

• Read the details of the first five types of business structures discussed there. State two  
distinctive features of each of the five business types.

**Answer:** 1). Sole proprietorships are inseparable from their owners. They are responsible for all the assets and liabilities of the company. Secondly, they have no protection from being personally sued for the issues caused with their company. 2). Partnerships also have no paperwork or fees associated with creating them. No paperwork is needed to legally create one. Each partner is responsible for paying taxes on their share of the business’s income. Decision making is a two person or more job since the partnership is split between two or more individuals. All partners are responsible for the liabilities of the company. 3). Limited Partnerships are different since they do have paperwork to form these types of business structures. It can be a good opportunity for investors, depending on the risk they are wanting to take on with a company. The limited partners, who could be investors, have little control over the direction and decision-making aspect of the company since the General Partner is the one who is primarily responsible for running the company as well as they are responsible for all the company’s liabilities. 4). Limited Liability Companies (LLC) is a smart strategy for business owners who want to separate their personal finances from the company’s in regard to risk. The business is essentially its own entity that has its own debts, income that must be reported; however, the owner does pay taxes on their share of the business’s income. In short, a benefit of an LLC would be if a customer were to sue the LLC, the owner’s assets would still be protected. 5). Corporations are like an LLC with the level of protection that it provides for its owners. However, Corporations are also their own entity in many ways. Ownership is easily transferred with Corporations as well. Someone can buy one, and the current owners shares will be transferred to the new owner.

• Explain the limited liability protection and the double taxation.

**Answer:** The limited liability protection is a concept that I briefly dived into in the previous answers. Essentially, it’s the separation of the business owner from the liabilities of the company. Also, if someone were to sue the company, it would be the company that would be at stake/ responsible. The owner would not have their personal finances risked. As for double taxation, this concept happens when a company’s profits are taxed twice at both the corporate level and the shareholder level. (SBA, 2025)

4. Check: <https://aflcio.org/paywatch/highest-paid-ceos>   
You see that the top corporate managers in the US are paid very high. How are their  
compensations designed? Why are their compensations packaged that way? (You can refer  
to corporate finance by Gokhale and Adhikari).

**Answer:**  The top corporate managers’ compensation packages are designed much differently than the average corporate employee. Namely, their compensation packages consist of a base salary, bonuses, stock and option awards. The book talks about how this compensation structure for Top level management is designed this way is to mitigate the agency problem from happening. This design typically aligns with the interest of the shareholders and managers, that way the manager will act in the best interest of the organization. In my own words, I would say it gives the managers more “skin in the game.” In other words, the managers are compensated based on performance of the company; therefore, they will make more money if the company performs better.

5. Go to: <https://www.investor.gov/introduction-investing/investing-basics/role-sec/laws-govern-securities-industry>   
• What are the main objectives of the Securities Act of 1933?

**Answer:** The Securities Act of 1933 is often referred to as the truth in securities. The summary of the objectives completed by this Act are to require that investors receive financial and other important information to prohibit deceit, misrepresentations, and fraud for securities being sold to the public.

• Which act created the Securities and Exchange Commission (SEC)? What authorities  
does that act provide to SEC?

**Answer:** The Securities and Exchange Commission was created by Congress by using the Securities Exchange Act of 1934. It provides the SEC with the “…power to register, regulate, and oversee brokerage firms, transfer agents, and clearing agencies as well as the nation's securities self-regulatory organizations (SROs)” (SEC, n.d.). In short, it allows the SEC “broad authority over all aspects of the securities industry” (SEC, n.d.).

• What are the key features of the Sarbanes-Oxley Act of 2002? How do you relate this  
Act with corporate scandals at companies like Enron, WorldCom, and so on?

**Answer:** The key features of this act are that the PCAOB or Public Company Accounting Oversight Board was created to combat corporate and accounting fraud. CEO and CFO Certification is now required for financial statements. There are whistleblower protections that were incorporated from this Act as well.   
  
In relation to the corporate scandals at companies like Enron & WorldCom this Act was a direct response to these events. The goal was to restore investor confidence, prevent future scandals, and strengthen corporate governance. It was successful in improving financial and accounting integrity in corporate companies; however, its vast impact is debatable as to whether it was truly a “positive” Act.

• Describe the main objectives of the Dodd-Frank Wall Street Reform and Consumer  
Protection Act of 2010

**Answer:** The main objectives of this Act were to reshape the regulatory system for consumer protection, trading restrictions, credit ratings, regulation of financial products, corporate governance and disclosure as well as transparency. (SEC, n.d.) It accordance with these goals, it created the Consumer Financial Protection Bureau or CFPB for short. The CFPB is tasked with protecting consumers from abusive financial practices.

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