

1. Organisational Forms

- **Sole Prop:** unlimited liability, pass-through tax, capital limited.
- **Partnerships:** GP (unlimited), LP/LLP (limited liability for LPs/partners).
- **Corporations:** separate legal entity, owner–manager separation, limited liability, double taxation.
- **Private vs Public:** listing → liquidity, price discovery, disclosure; private → control, less reg., illiquidity premium.

2. Capital Providers

- **Debt:** contractual CFs, senior claim, tax-deductible interest, covenants.
- **Equity:** residual claim, dividends discretionary, voting rights, higher risk & return.
- **Debt vs Equity risk:** leverage increases ROE but raises insolvency risk; shareholder–bondholder conflict.

3. Stakeholders & Governance

- **Agents vs Principals:** shareholders → board → managers.
- Board committees: Audit, Nomination, Remuneration, Risk.
- Mechanisms: reporting transparency, proxy voting, covenants, labour law, regulation.
- Dual-class shares concentrate control; ESG factors integrated in oversight.

4. ESG Integration

- **E (Environmental):** climate risk, pollution, stranded-asset risk.
- **S (Social):** labor safety, data privacy, community impact.
- **G (Governance):** ownership structure, board quality, executive pay alignment.
- Materiality differs by sector; long-term credit more exposed to E & S than short-term.

5. Working Capital & Liquidity

- Cash conversion cycle = $DOH + DSO - DPO$; target minimise.
- Liquidity ratios: Current, Quick, Cash; pulls (early pay), drags (slow AR).
- Funding approaches: Conservative (LT debt), Aggressive (ST credit), Moderate mix.

6. Capital Investment Decisions

- Project types: maintenance, regulatory, expansion, new ventures.
- **DCF tools:** NPV (accept ≥ 0), IRR (accept $\geq k$), Payback, ROIC.
- **Real options:** timing, growth, abandonment, flexibility; value = option premium added to base NPV.

7. Capital Allocation Biases

- Cognitive: forecasting optimism, sunk-cost fallacy, inconsistent inflation treatment.
- Behavioural: inertia, pet projects, short-termism.
- Principles: incremental after-tax CF, hurdle WACC, scenario analysis, post-audit review.

8. Cost of Capital & WACC

- $WACC = w_d k_d (1 - T) + w_e k_e$.
- k_e : CAPM, Beta adj., build-up; k_d after-tax.
- Target weights: market values; if unknown → current or peer average.

9. Capital Structure Theories

- **MM** (no taxes): structure irrelevant; with taxes: value increases with debt (tax shield).
- Static trade-off: optimal levered value = $V_U + tD - PV(distress)$.
- Pecking order: internal → debt → equity due to info asymmetry.
- Agency costs & signalling affect leverage choice.

10. Optimal / Target Leverage

- Influences: business risk, asset tangibility, tax rate, growth, size, market timing, credit rating.
- Lifecycle: start-up heavy equity, growth mix, mature more debt, decline deleverage.
- Trade-off between tax shield and distress / flexibility.

11. Business Models & Risks

- **Components:** Who (customers), What (value proposition), Where (channels), Pricing, How (operations).
- **Variants:** Subscription, Marketplace, Platform (network effects), Franchise, Private-label.
- **Risk Mapping:** revenue stability, operating leverage, asset intensity, regulatory exposure.

12. Analyst Toolkit

- DuPont ROE, Altman Z-score, credit ratios, dividend policy assessment.
- Evaluate governance quality, stakeholder alignment, ESG materiality.
- Stress-test liquidity, covenant headroom, refinancing wall.
- Compare to peers, historical trend, and industry benchmarks.