

Essay on managerial finance i

[Business](#), [Company](#)



Management

A limited partnership is where the partners are limited to the amount of capital they have contributed in the partnership business. The partners in a limited partnership are only entitled to the share of profit of the organization in the ratio of their capital contribution. Limited partners do not participate in the management of the partnership. Limited partners, unlike general partners, are not liable in case the partnership operates at a loss. Limited partners participate in dividend payment at the end of the financial period. A creditor may be considered to be in a limited partnership, in the partnership. This occurs when the partners decide to take in a creditor in the partnership. The amount owed to the creditor is considered to be the partner's capital contribution.

Insider trading occurs when certain people have access to information regarding the company's stock or securities which is not accessible to other shareholders. Insider trading is mainly carried out by employees of the company, senior management or staff. The aim is to take advantage of information regarding the securities in decision making. The decision may be whether to sell or buy the company's securities in the stock exchange depending on the information the person possesses. The capital markets authority is responsible for protecting against the unethical practices of insider trading. United States law states that any person caught practicing insider trading receives probation.

Depreciation can be termed as a loss in value of an asset over its useful life. The depreciation expense is treated as tax deductible in the computation of earnings before tax. After computation of the tax, depreciation expense is

added back to the after tax income in order to arrive at the cash flows for a particular period. The depreciation expense gives rise to a tax saving or tax shield. Tax saving arises as a result of reduction in the amount of income which is subjected to tax. When the depreciation is high in the initial years of the asset, tax saving would be high. This is because the large amount of depreciation would be deducted before getting the accounting profit. This results into the less cash outflow from the company in the form of taxes. The high amount of depreciation in the initial years increases the cash flows. The tax code allows the amount to be added to the accounting profits in order to obtain the cash flows. Depreciation does not involve any cash flows in the company.

The balance sheet, which is normally referred to as the statement of financial position, shows the assets and liabilities of a company as the end of the financial period. The statement of financial position is prepared to use the historical data for the assets. During the inflationary period, the cost of the assets may increase than the historical cost. The increase in the cost is not reflected in the statement of financial position. The balance sheet even during this period records the historical costs of the asset. The information provided does not reflect the current market value of the assets which is high due to inflation. If inflation continues for a long period of time, the figures in the balance sheet may be different from the actual market value of the asset. Inflation thus may render the statement of financial position not useful due to the differences in the cost of an asset during the inflation period..

References

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