Survey Questionnaire

Dear Sir/ Madam

I am Ph. D. Scholar of Tribhuwan University, Faculty of Management. In order to accomplish research entitled "Financing Policies in Nepalese Enterprises", I hereby request you to kindly provide me information mentioned in the questionnaire enclosed herewith. I assure you that all the information will be kept completely confidential and will not be used for any other purpose. It will be used as aggregate level only.

Thanking You,

Sincerely Yours

Yuga Raj Bhattarai

Part –I

Respondent's Profile

Name of the respondent (optional): ……………………………………………………...… Age:................

Name of the Organization: …..Total no. of Employees:………….

Nature of Organization (industry)……………………………………… ………Designation:……..…

Experience (years):………………………………………………………………………. . Qualification:…...........

Sales Revenue (last fiscal year):……………………………… Total assets (last fiscal year):…………

Part-II

[Questionnaire related to the factors that influence a company's financing Policy]

1. What kind of financing policy you have practiced in your enterprise? (Please tick one)
(a) Formal policy (b) Informal policy (c) No policy

2. Who sets the financing policy in your enterprise? (Please tick one)
(a) Board of directors (b) President/managing director
(c) General manager (d) Vice president/ Finance manager
(e) Others (please specify)

3. Who is most important (influential) in setting your firm's target financial structure ratios? (Please indicate the most important with a 1, next most important with a 2, etc.)

(a)	Our own management and staff of analysts	
(b)	Investment bankers	
(c)	Commercial bankers	
(d)	Trade creditors (suppliers)	
(e)	Outside security analysts	
(f)	Comparison with ratios of industry competitors	
(g)	Other (please specify)	

4. How would you describe financing policy in your enterprise? (Please tick one)
(a) Risk avoiding (b) Risk accepting (c) Situational (d) Changes over time (e) Others (please specify)

5. Do tax issues have a major influence on your financing decisions? (Please tick one)
(a)Yes (b) No (c) Unsure

6. Do you have a policy of maintaining spare debt capacity? (Please tick one)
(a)Yes (b) No (c) Unsure

7. Could you borrow more at the same interest rate? (Please tick one)

(a)Yes (b) No (c) Unsure

8. Do you make use of off-balance sheet financing techniques? (Please tick one)

(a)Yes (b) No (c) Unsure

9. Is the concept of an industry norm (standard debt ratios for similar lines of business as your own) ever used by your firm in arriving at a financing decision? (Please tick one)

(a) Yes (b) No (c) Unsure

10. How does your firm measure the degree of financial leverage used? Please rank the following financial leverage measures in order of their importance in your firm's financing decision procedures. (Indicate the most important with a 1, next most important with a 2, etc.)

(a)	Total liabilities divided by total assets (the debt ratio)	
(b)	Long term debt divided by total debt plus net worth (the long- term debt to total capitalization ratio)	
(c)	Common equity divided by total assets (the common equity ratio)	
(d)	Long - term debt divided by total assets(the long- term debt ratio)	
(e)	Long term debt divided by net worth (the long-term debt to net worth ratio)	
(f)	Earnings before interest and taxes divided by total interest expense (The times-interest – earned ratio)	
(g)	Earnings before interest and taxes divided by interest expense plus the before–tax equivalent of preferred dividend payments (the times - interest -and preferred dividend coverage ratio)	
(h)	Earnings before interest and taxes plus rent expense (i.e. lease payments) plus depreciation expense divided by interest expense plus the before-tax equivalent of preferred dividend payments plus rent expense (i.e., lease payments) (the cash flow coverage ratio)	
(i)	Other (please identify the measure)	

11. Indicate the relative importance of the following factors in governing your firm's financing decisions. (On a scale of 1 to 5, where 1 = Unimportant and 5 = Important.)

	Relative importance factors	1	2	3	4	5
(a)	Maximizing price of publicly traded securities					
(b)	Financial flexibility					
(c)	Costs of bankruptcy					
(d)	Restrictive covenants of senior securities					
(e)	Projected cash flow or earnings from the assets to be financed					
(f)	Riskiness of the assets to be financed					
(g)	Avoiding dilution of common shareholders' claims					
(h)	Company credit rating					
(i)	Transaction costs					
(j)	Personal tax rates of your debt and equity-holders					
(k)	Maintaining comparability with firms in the industry					
(l)	Other					

12. Do you have any preferences for short-, medium- or long-term funding sources? (Please tick)

(a)	Short (up to 1 year)	
(b)	Medium/Short (up to 3 years)	
(c)	Medium (up to 5 years)	
(d)	Long (>5 years)	
(e)	Policy of matching assets and liabilities	
(f)	Term does not matter	
(g)	Depends on interest rates	
(h)	A balance of short/medium/long	

13. Indicate the relative importance of the following sources of long-term funds in order of preference for financing new investments (1=Unimportant, 5= Important.

	Sources of long-term funds	1	2	3	4	5
(a)	Internal equity (retained earnings)					
(b)	External common equity					
(c)	Long term debt					
(d)	Convertible debt					
(e)	Straight preferred stock					
(f)	Convertible preferred stock					
(g)	Other					

14. Under what circumstances would you make an equity issue? (Please tick)

(a)	To fund a major expansion	
(b)	To make an acquisition	
(c)	If market conditions is right	
(d)	To reduce leverage if market conditions right	
(e)	Avoid it	

15. Under what circumstances would you make a debt issue? (Please Tick)

(a)	To fund a major expansion	
(b)	To make an acquisition	
(c)	To add to liquidity	
(d)	If market conditions right	
(e)	To fund a long-term asset if market conditions right	
(f)	Avoid it	

16. What factors affect your firm's choice between short- and long-term debts? Respondents are asked to rate on a scale of 1 (not important) to 5 (very important).

	Factors affecting choice of short -and long-term debt	1	2	3	4	5
(a)	We issue short term when we are waiting for long term market interest rates to decline					
(b)	Matching the maturity of our debt with the life of our assets					
(c)	We borrow short-term so that returns from new projects can be captured by shareholders					
(d)	We expect our rating to improve, so we borrow short term until it does					
(e)	Borrowing short-term reduces the chance that our firm will want to take on risky projects					
(f)	We issue long-term debt to minimize the risk of having to finance in “bad times”					

17. What factors affect how you choose the appropriate amount of debt for your firm? Respondents are asked to rate on a scale of 1 (not important) to 5 (very important).

	Factors that affect amount of debt choice	1	2	3	4	5
(a)	The tax advantage of interest deductibility					
(b)	The potential costs of bankruptcy or near bankruptcy financial distress					
(c)	Financial flexibility					
(d)	Our credit rating (as assigned by rating agencies)					
(e)	The transactions costs and fees for issuing debt					
(f)	The debt levels of other firms in the industry					
(g)	We try to have enough debt so that we are not in an attractive target					
(h)	To ensure that upper management works hard and efficiently					
(i)	The volatility of our earnings and cash flows					

18. Has your firm issued convertible debt? (Please tick one)
(a)Yes (b) No

19. What are the factors that affect the decision to issue convertible debt? Please rate on a scale of 1 (not important) to 5 (very important).

Factors affecting convertible debt	1	2	3	4	5
Inexpensive way to issue "delayed" common stock					
Ability to "call"/force conversion if/when necessary					
Stock currently undervalued					
To attract investors unsure about riskiness					
Avoiding short-term equity dilution					
Other industry firms successfully use convertibles					
Less expensive than straight debt					

20. Has your firm seriously considered issuing common stock? If yes, what factors affect your firm's decisions about issuing common stock? Respondents are asked to rate on a scale of 1 (not important) to 5 (very important).

Factors affecting in issuing common stock	1	2	3	4	5
If our stock price has recently risen, the price at which we can issue is "high"					
Stock is our "least risky" source of funds					
Providing shares to employee as stock option plan					
Maintaining a target debt-to-equity ratio					
Using a similar debt/equity ratio as is used by other firms in our industry					
Whether our recent profits have been sufficient to fund our activities					
Issuing stock gives a better impression of our firm's prospects than using debt					
The capital gains tax rates faced by our investors (relative to tax rates on dividends)					
Diluting the holdings of certain shareholders					
Inability to obtain funds using other sources					
Earning per share dilution					

21. What percent of the common stock have owned by the largest three stockowners? (Please tick one)
(a) Less than 5 % (b) 5-10% (c) 10-20% (d) More than 20%

22. How many people have owned the company's common stocks? (Please tick one)
(a) Up to 100 (b) 100-500 (c) 500-1,000 (d) 1,000-10,000 (e) 10,000-100,000 (f) 100,000+

23. Has your firm ever issued right share as sources of equity financing? (Please tick one)
(a)Yes (b) No

24. In what situation does your firm prefer to issue right share as sources of equity financing? (Please tell in a sentence or two below)
………
………

25. How much should a company borrow in relation to its equity capital (i.e. the optimal capital structure level)? (Please tick one)

(a)	Less than or equal to 1:1 of debt to equity	
(b)	More than 1:1 but less than or equal to 2:1 of debt to equity	
(c)	More than 2:1 but less than or equal to 3:1 of debt to equity	

26. What are the important “owners’ characteristics” factors influencing capital structure? Please rate on a scale of 1 (not important) to 5 (very important).

Owners’ characteristics factors	1	2	3	4	5
Need for control					
Knowledge					
Experience					
Goals					
Risk propensity					
Perceptions and beliefs about external finance					

27. What are the important “firm characteristics” factors influencing capital structure? Please rate on a scale of 1 (not important) to 5 (very important).

Firm characteristics factors	1	2	3	4	5
Liquidity					
Size					
Tax					
Business risk					
Tangibility of assets					
Uniqueness					
Non-debt tax shields					
Other					

28. What are the important “other external characteristics” factors influencing capital structure? Please rate on a scale of 1 (not important) to 5 (very important).

Other external characteristics factors	1	2	3	4	5
State of the economy					
Condition of the market					
Availability of funds					
Industry characteristics					
Government policy					

29. Capital structure improves investors’ (both shareholders and creditors) earning.
(a) Strongly agreed (b) Agreed (c) Undecided (d) Disagreed (e) Strongly disagreed

30. Higher ratio of long term debt to equity causes firms to reduce their profitability.
(a) Strongly agreed (b) Agreed (c) Undecided (d) Disagreed (e) Strongly disagreed

31. What are the important factors influencing firm’s profitability? Please rate on a scale of 1 (not important) to 5 (very important).

Factors influencing firm’s profitability	1	2	3	4	5
Debt					
Size					
Growth					
Assets turnover					
Tangibility of assets					
Liquidity					
Age					

32. Dose your firm believe that the use of a “proper” amount of debt in its capitalization (as opposed to none, or too much) will result in a lower overall cost of capital to the corporation? (Please tick one)
(a) Yes (b) No (c) Unsure

33. How frequently do you estimate your company's cost of capital? (Please tick one)
(a) Annually (b) Every investment (c) Infrequently (d) Other

34. How do you estimate before tax cost of debt? (Please tick one)
(a) Marginal cost (b) Current average (c) Uncertain (d) Other

35. How do you estimate your company's cost of equity? (Please tick one)
(a)CAPM (b) Modified CAPM (c) Dividend Growth Model (d) Arbitrage Pricing Model (e) Other

36. What weighting factors does your use in computing weighted average cost of capital (Please tick one)
(a) Target debt/equity (b) Current book weights (c) Current market weights (d) Other

37. Having estimated your company's cost of capital, do you make any further adjustments to reflect the risk of individual investment opportunities? (Please tick one)
(a) Yes (b) No (c) Unsure

38. Is the cost of capital used for purposes other than project analysis in your company? (For example: to evaluate divisional performance) (Please any one)
(a) Yes (b) No (c) Unsure

39. Firm's market value is directly related to its choice of capital structure. (Please tick one)
(a) Strongly agreed (b) Agreed (c) Undecided (d) Disagreed (e) Strongly disagreed

40. Dose your firm believe that the use of an excessive amount of debt will eventually result in the market price of your common stock being adversely affected? (Please tick one)
(a) Yes (b) No (c) Unsure

41. Firms with debt in their capital structure tend to have high market value than firms with only equity capital
(a) Strongly agreed (b) Agreed (c) Undecided (d) Disagreed (e) Strongly disagreed

42. Which one of the following do you think most appropriate proxy (measure) for firm value? (Please one)
(a) Total market value of debt plus equity (b) Price earnings ratio (c) Earnings value added
(d) Tobin- Q (e) Earnings per share (f) other (please specify)

43. Do you think that debt -equity mix is as a determinant for maximizing firms' market values in Nepal? (Please tick one)
(a) Yes (b) No (c) Unsure

44. Maximizing a firm's market value as the main focus when deciding its choice of capital structure (i.e. financing policy) (Please tick one)
(a) Strongly agreed (b) Agreed (c) Undecided (d) Disagreed (e) Strongly disagreed