

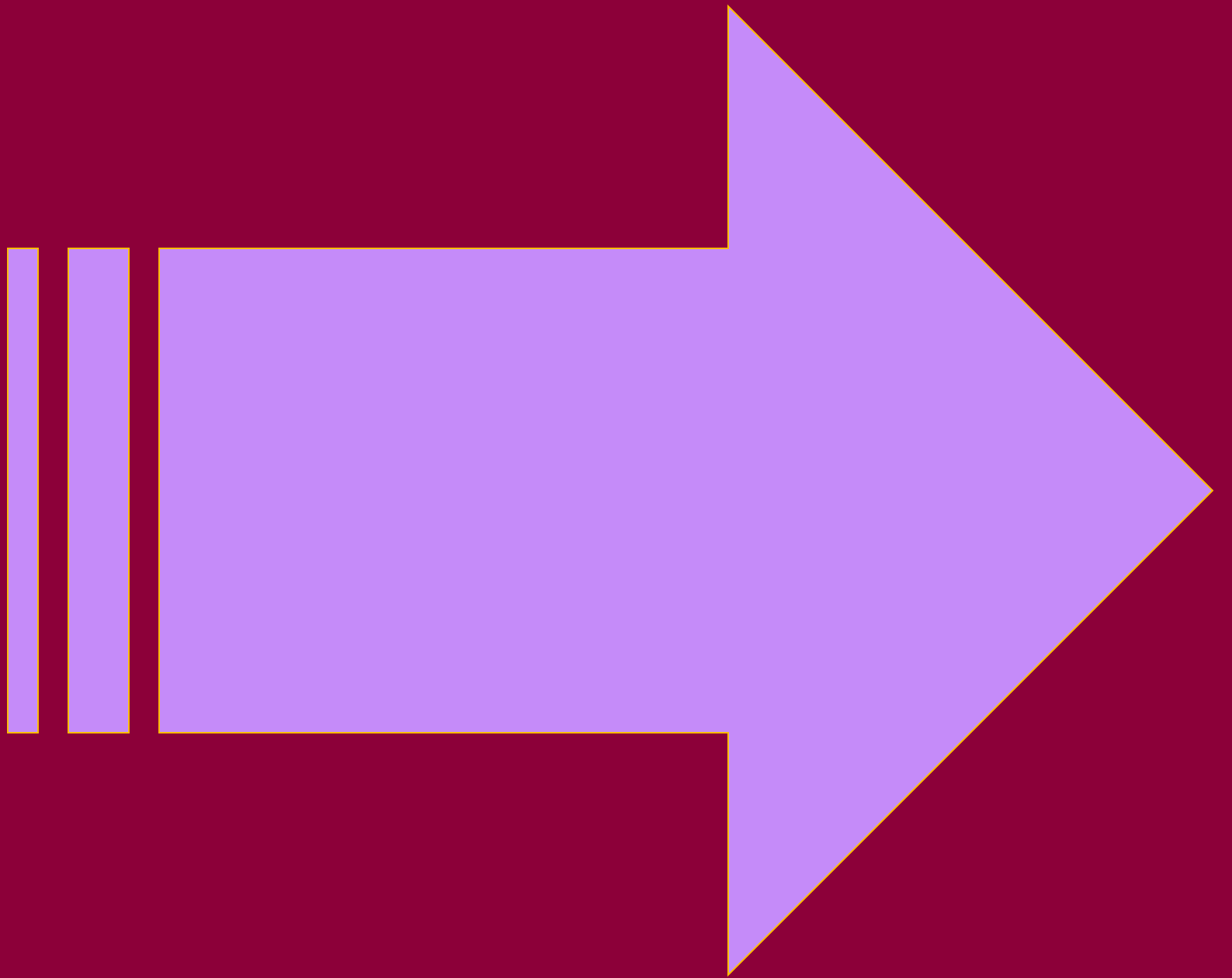


# Introducing ... “Accounting & Finance”



Prepared by *Ram Kumar Kakani*

The views  
expressed herein  
are personal





# What is 'Capital' ...



- Finance obtained by a firm
- Three types
- Interest free capital (often, strings attached)
  - ... current liabilities
- Debt capital
  - ... long-term liabilities
- Risk capital
  - ... owners equity







CARTOONSTOCK  
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 ROYST

“Sorry, but that does not make you a risk-taker”



“I call my invention ‘The Wheel,’ but so far I’ve been unable to attract any venture capital.”

November 1, 2004



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3/29

“Let’s change our strategy. You start fetching the paper, and I’ll handle the investments.”





# How Did Finance Get Here?

(adapted from <http://ssrn.com/abstract=905867>)

- **Till 1800 AD:** Industrial revolution and joint stock firms concept
- **1800-1900:** ↑ size of business unit, ↑ capex level, ↑ separation of ownership from management
- **1900-1950:** ↑ competition, ↑ entry of retail investors
- **1950-2000:** ↑ research, ↑ competition in finance world, ↑ technology/communication
- **2000-2017:** ↑ external communication (quantity), ↑ IQ, ↓ internal communication, ↓ intelligence variety  
↓ risk & uncertainty awareness



# How Did Finance Get Here?

(<http://ssrn.com/abstract=905867>)

- Till 1800 AD: Industrial revolution and joint stock firms concept led to
  - *Double Entry Accounting & Bookkeeping*
- 1800-1900: ↑ size of business unit, ↑ capex level, & ↑ separation of ownership from management meant introduction of
  - *Intermediaries, Stock and Commodity Exchanges*
  - *Financial Reporting Procedures, Management Accounting Systems*
  - *Debentures, Convertibles, & Preference Shares*

# How Did Finance Get Here?

<http://ssrn.com/abstract=905867>

- 1900-1950: ↑ Competition and Entry of Retail Investors led to
  - *Financial Analysis, Budgeting & Standard Costing*
  - *Common Stock Exchanges*
- 1950-2000: ↑ Research, ↑ Competition in Finance, ↑ Technology/ Communication meant
  - *Theories – Random Walk, Portfolio, Market Efficiency, MM's Capital Structure and Dividend*
  - *Models – CAPM, Option Pricing, Fama-French*
  - *Derivatives, Swaps, ESOP, LBO, Securitization, EVA, ABC, SCM, MVA, Hedge Funds, ...*

# How Did Finance Get Here?

(<http://ssrn.com/abstract=905867>)

- 2000-2017: ↑ Research (Commercial), ↑ Player size & type of competition in Finance, ↑ Technology/Communication ↑ external communication (quantity), ↑ IQ, ↓ internal communication, ↓ intelligence type, ↓ risk & uncertainty fortitude
  - *PE, VC, Interest in Trading (Quantitative type); Increasing chance of systemic issues; IFRS, Narrower Formats, Compliance Norms, Behavioral Finance, Wider Variety of Quantified Risk Models, Niche Fields (AIM, MFI, SWF, Islamic Fin., etc.), Niche Products (ETFs, REITs, etc.)*

Thank  
You



Acknowledgements:

- ❖ External: Shri Jay Mehta (XL BM 06), Shri D Rama Rao (IIMC 96), Ms Prajna Ojha (XL BM 06) and Shri Syed Shabbirul Haque (IIMC 97)