

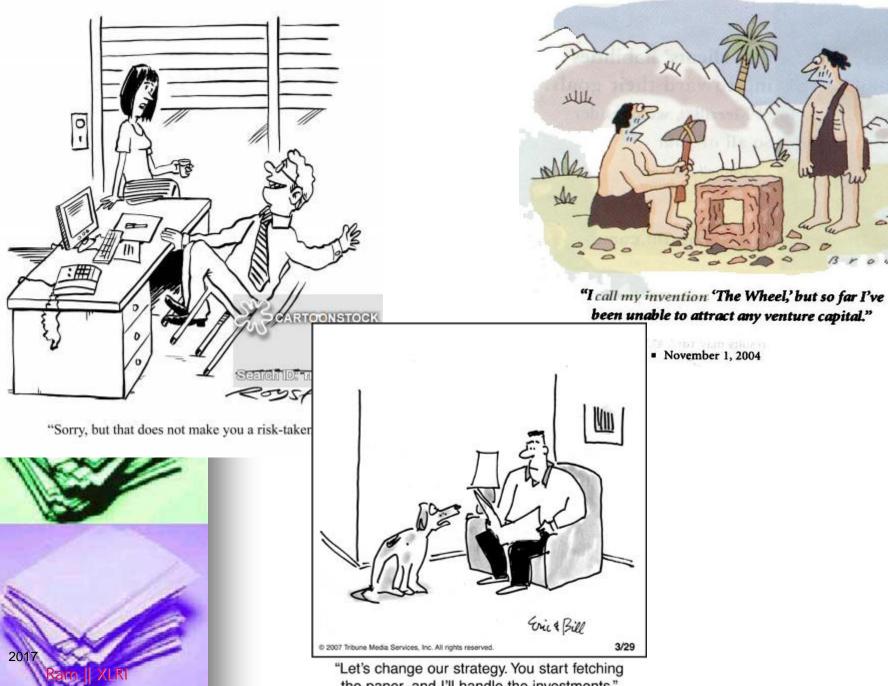
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The views expressed herein are personal



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



the paper, and I'll handle the investments."

(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: \spadesuit external communication (quantity), \spadesuit IQ, Ψ internal communication, Ψ intelligence variety Ψ risk & uncertainty awareness

(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

(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, ...

(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.)



Agency Concept

Modern Corporation

Shareholders

Management

There exists a SEPARATION between owners and managers.

Ownership Vs Management

Differences in Information

- Stock prices and returns
- Issues of shares and other securities
- Dividends
- Financing

Different Objectives

- Management Vs stockholders
- Top management Vs operating management
- Stockholders Vs banks and lenders

"Finance" – Is it Difficult?

- Look from a business perspective
 - Look from the perspective of long-term investing (or owning) ...
 say, (relatively) successful communities ... Bohra, Gujarati, Jews,
 Malabari Muslim, Marwari, Parsi, Punjabi Khatri, Syrian Catholic)
 - Understand 'practical economics' and 'pursuing prospects'
 - → Caution: These communities also have some limitations
 - Motivated, Opportunist, Calculative & largely Practical
- Appreciate jargons
 - Read business newspapers + (if needed) web-search
 - Read books and journals + Access databases
- Don't switch-off
 - Unlearn & Avoid Prejudiced Mindset
 - Concentrate

Thank

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