



WHAT ARE YOUR EXPECTATIONS FROM THIS COURSE?

A bit more about each other
&
norms of the game ...

WHY? ...

- ◉ **Ms Susan Colantuono**, CEO and founder of Leading Women says “Women represent 50% of middle management and professional positions (in USA), but the percentages of women at the top of organizations represent not even a third of that number.” Why? ...
- ◉ The Missing 33%™ ...
- ◉ Business+Strategic+Financial Acumen (little prior experience; advice is not given; unexamined mindsets of mentors)
- ◉ *That Partially Answers: Why “Finance” ought to be appreciated by “future” Leaders/Executives !*
- ◉ Why “Accounting” should be learnt by Future Executives?

WHY? ...

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- ◎ Why “Financial Accounting” should be learnt?

KNOWLEDGE OF FINANCE SHOULD FURTHER HELP TO ...

- ⦿ Catch up with pink paper with stuff like – *top line vanity; bottom line sanity; and cash in the bank is reality.*
- ⦿ Decide whether you should exercise ESOP or not?
- ⦿ *Be mentally present in business meetings.*
- ⦿ Appreciate difference between contract liabilities vis-à-vis contingent liabilities
- ⦿ *That Nearly Answers: Why “Financial Accounting” ought to be _____!*

HOW WOULD A MODERN CFO LOOK?

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"Gentlemen, meet our new Chief Financial Officer."

HOW DID FINANCE GET HERE?

(ADAPTED FROM [HTTP://SSRN.COM/ABSTRACT=905867](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
- ◎ **2000-2020:** ↑ external communication (quantity), ↑ IQ, ↓ internal communication, ↓ intelligence variety
↓ risk & uncertainty awareness



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

HOW DID FINANCE GET HERE?

([HTTP://SSRN.COM/ABSTRACT=905867](http://ssrn.com/abstract=905867))

- Till 1800 AD: Industrial revolution and joint stock firms concept led to
 - Barter Exchange
 - 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](http://ssrn.com/abstract=905867))

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

HOW DID FINANCE GET HERE?

([HTTP://SSRN.COM/ABSTRACT=905867](http://ssrn.com/abstract=905867))

- 2000-2019: ↑ Research (Commercial), ↑ Player size & type of competition in Finance, ↑ Technology/Communication ↑ external communication (quantity), ↑ IQ, ↓ internal communication, ↓ intelligence type, ↓ risk & uncertainty (fortitude experiences)
 - **Digital Currencies, Risk Management Professionals, Alternate Asset Classes, Systemic Risks, Block Chain ...**
 - **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.)**

... FROM THE HORSES MOUTH ...


- ◉ To be good at your business, you have to know the numbers – *cold*
- ◉ In business (& the wider world of commerce), accounting and financial statements are the means for communicating the numbers
- ◉ How can I learn?



WARREN BUFFET INVESTMENT CLUB

- ◉ is composed of six students. These folks do the (miss)management of the student's pool of funds. These members do a full qualitative and quantitative analysis of a chosen industry & finally, recommend a company each, from ten different industries. Project is concluded with an investment recommendation and final presentation.
- ◉ This year, the students selected YOU as part of this committee. So, the goal of the team was clear – that they should identify & invest in companies that would be successful in future. During the discussion, various ideas were suggested for identifying the industries, such as – industries with successful products; industries with cheap raw material costs; industries with less competition; & industries with high-technology inputs.
- ◉ **Required:** Set of five decisive factors (not measures) that you would use while selecting these ten industries (to invest). Give supporting reasons for each of the factors.
- ◉ **Reference:** Ramachandran, N and Ram Kumar Kakani. *Financial Accounting for Management*. 4th Edition, McGraw Hill Series, Tata McGraw Hill Education, 2016 [ISBN: 978-93-85965-66-1], page 37.



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"Listen, I understand that accountants need to have fun, too, but can you take those off until we're done with this?"

THANK YOU

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"We use the term 'human resources' pretty loosely around here."

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