

A Handbook of Case Studies in Finance

A Handbook of Case Studies in Finance

By

Tarika Sikarwar

Cambridge
Scholars
Publishing



A Handbook of Case Studies in Finance

By Tarika Sikarwar

This book first published 2017

Cambridge Scholars Publishing

Lady Stephenson Library, Newcastle upon Tyne, NE6 2PA, UK

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

Copyright © 2017 by Tarika Sikarwar

All rights for this book reserved. No part of this book may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the copyright owner.

ISBN (10): 1-4438-8176-7

ISBN (13): 978-1-4438-8176-0

CONTENTS

Part I

I. Glossary of Terms	3
II. Teaching with Cases included in the Book	21
III. What is a Case Study?	23
IV. Analysing a Case Study.....	25
V. How to Prepare a Case for Class Discussion	31
VI. Preparing a Written Case Analysis.....	33
VII. Preparing an Oral Presentation.....	37
VIII. What is Case Study Analysis?	39
IX. The Role of Financial Analysis in Case Studies.....	43

Part II

X. Case Studies.....	51
1. <i>Hindustan Big Life: Big Problem of Advisors</i>	51
2. <i>Daily Bharat: A Case of Profitability</i>	54
3. <i>Financial Crises Setback at Jagat Auto Industry Ltd.</i>	56
4. <i>Balwinder Finance Case Study</i>	60
5. <i>Income Tax Case of ABC Oils</i>	63
6. <i>Diva Life Insurance: A Case of Mis-selling</i>	69
7. <i>Working Capital Management at Gajraj Oils</i>	73
8. <i>Max Targets at MAX!</i>	76
9. <i>Delinquency of Demat Accounts at Rillan</i>	79
10. <i>EVA Implementation: The Case of Pavitra Group</i>	84
11. <i>A Case Related to Mishra Ltd. and MDBI Bank</i>	90
12. <i>Financial Performance: The Case of Saraswati Auto Industries</i> ...	92

13. <i>Mis-selling: The Case of Parv Money Life Insurance</i>	97
14. <i>RK Industries: A Case Study on Estimation of Working Capital</i>	99
15. <i>JRF Ltd. Case: Inaccurate Sales Forecasting</i>	106
16. <i>Financial Fury of Mehta India</i>	108
17. <i>Avoidable Payment of Interest on Income Tax</i>	112
18. <i>A Case Study on Working Capital Loans at IMFC Bank</i>	114
19. <i>A Case Study on Samachar Rozana Problems Related to E.O.Q.</i>	119
20. <i>SMT Ltd.: A Case Study on Working Capital Management</i>	124
21. <i>Sun Light Ltd.: A Case on Capital Budgeting</i>	127
22. <i>Big or Small: Financial Loss Matters!</i>	130
23. <i>Traditional Approach, Limited Promotions: Missed Opportunities</i>	132
Teaching Notes.....	135
References	137

PART I

I.

GLOSSARY OF TERMS

Accounts Receivables

Accounts receivable is a legally enforceable claim for payment from a business to its customer/clients for goods supplied and/or services rendered in execution of the customer's order. These are generally in the form of invoices raised by a business and delivered to the customer for payment within an agreed time frame. Accounts receivable is shown on a balance sheet as an asset. It is one of a series of accounting transactions dealing with the billing of a customer for goods and services that the customer has ordered. These may be distinguished from notes receivable, which are debts created through formal legal instruments called promissory notes.

Assets

In financial accounting, an asset is an economic resource. Anything tangible or intangible that can be owned or controlled to produce value and that is considered to have positive economic value is regarded as an asset. Simply stated, assets represent the value of ownership that can be converted into cash (although cash itself is also considered an asset).

Audit

The general definition of an audit is a planned and documented activity performed by qualified personnel to determine by investigation, examination, or evaluation of objective evidence, the adequacy of and compliance with established procedures or applicable documents, and the effectiveness of implementation. The term may refer to audits in accounting, internal controls, quality management, project management, water management, and energy conservation.

Balance Sheet

In financial accounting, a balance sheet or statement of financial position is a summary of the financial balances of a sole proprietorship, a business partnership, a corporation or other business organization, such as an LLC or an LLP. Assets, liabilities and ownership equity are listed as of a specific date, such as the end of its financial year. A balance sheet is often described as a "snapshot of a company's financial condition". Of the three basic financial statements, the balance sheet is the only statement which applies to a single point in time of a business's calendar year.

Bond

In finance, a bond is an instrument of indebtedness from the bond issuer to the holders. It is a debt security, under which the issuer owes the holders a debt and, depending on the terms of the bond, is obliged to pay them interest (the coupon) and/or to repay the principal at a later date, termed the maturity date. Interest is usually payable at fixed intervals (semi-annual, annual, and sometimes monthly). Very often the bond is negotiable, i.e. the ownership of the instrument can be transferred in the secondary market. This means that once the transfer agents at the bank medallion-stamp the bond, it is highly liquid on the secondary market.

CAGR

The year-over-year growth rate of an investment over a specified period of time. The compound annual growth rate is calculated by taking the n th root of the total percentage growth rate, where n is the number of years in the period being considered.

Capital

In economics, capital goods, real capital, or capital assets are already-produced durable goods or any non-financial asset that is used in the production of goods or services.

Capital Budgeting

Capital budgeting (or investment appraisal) is the planning process used to determine whether an organization's long term investments such as new machinery, replacement machinery, new plants, new products, and

research development projects are worth the funding of cash through the firm's capitalization structure (debt, equity or retained earnings). It is the process of allocating resources for major capital, investment or expenditures.

Capital Market Instruments

Capital market instruments are responsible for generating funds for companies, corporations and sometimes national governments. These are used by the investors to make a profit out of their respective markets. There are a number of capital market instruments used for market trade, including:

- Stocks
- Bonds
- Debentures
- Treasury Bills
- Foreign exchange
- Fixed deposits, and others

Credit Rating

A credit rating is an evaluation of the credit worthiness of a debtor, especially a business (company) or a government, but not individual consumers. The evaluation is made by a credit rating agency, which examines the debtor's ability to repay the debt and the likelihood of default. Evaluating the creditworthiness of individuals is known as credit reporting and is carried out by credit bureaus or consumer credit reporting agencies, which issue credit scores.

Collateral

In lending agreements, collateral is a borrower's pledge of specific property to a lender, to secure the repayment of a loan. The collateral serves as protection for a lender against a borrower's default—that is, any borrower failing to pay the principal and interest under the terms of a loan obligation. If a borrower does default on a loan (due to insolvency or other event), that borrower forfeits (gives up) the property pledged as collateral, with the lender then becoming the owner of the collateral. In a typical mortgage loan transaction, for instance, the real estate being acquired with the help of the loan serves as collateral. Should the buyer fail to pay the loan under the mortgage loan agreement, the ownership of the real estate is

transferred to the bank. The bank uses a legal process called foreclosure to obtain real estate from a borrower who defaults on a mortgage loan obligation. A pawnbroker is an easy and common example of a business that may accept a wide range of items rather than just dealing with cash.

Commodity

In economics, a commodity is a marketable item produced to satisfy wants or needs. Economic commodities are comprised of goods and services.

Debentures

In corporate finance, a debenture is a medium to long-term debt instrument used by large companies to borrow money, at a fixed rate of interest. The legal term "debenture" originally referred to a document that either creates a debt or acknowledges it, but in some countries the term is now used interchangeably with bond, loan stock or note. A debenture is like a certificate of loan or a loan bond evidencing the fact that the company is liable to pay a specified amount with interest and, although the money raised by the debentures becomes a part of the company's capital structure, it does not become share capital. Senior debentures get paid before subordinate debentures, and there are varying rates of risk and payoff for these categories.

Demat Account

In India, shares and securities are held electronically in a dematerialized (or "demat") account, instead of the investor taking physical possession of certificates. A dematerialized account is opened by the investor while registering with an investment broker (or sub-broker). The dematerialized account number is quoted for all transactions to enable electronic settlements of trades to take place. Every shareholder will have a dematerialized account for the purpose of transacting shares. Access to the dematerialized account requires an internet password and a transaction password. Transfers or purchases of securities can then be initiated. Purchases and sales of securities on the dematerialized account are automatically made once transactions are confirmed and completed.

Depository

On the simplest level, depository is used to refer to any place where something is deposited for storage or security purposes. More specifically, it can refer to a company, bank or an institution that holds and facilitates the exchange of securities. A depository can also refer to a depository institution that is allowed to accept monetary deposits from customers.

Depository Participant (DP)

In India, a depository participant (DP) is described as an agent of the depository. They are the intermediaries between the depository and the investors. The relationship between the DPs and the depository is governed by an agreement made between the two under the Depositories Act. In a strictly legal sense, a DP is an entity who is registered as such with SEBI under the sub section 1A of Section 12 of the SEBI Act. As per the provisions of this Act, a DP can offer depository-related services only after obtaining a certificate of registration from SEBI. As of 2012, there were 288 DPs of NSDL and 563 DPs of CSDL registered with SEBI.

Economic Order Quantity (EOQ)

Economic order quantity is the order quantity that minimizes total inventory holding costs and ordering costs. It is one of the oldest classical production scheduling models. The framework used to determine this order quantity is also known as Wilson EOQ Model or Wilson Formula. The model was developed by Ford W. Harris in 1913, but R. H. Wilson, a consultant who applied it extensively, is given credit for his in-depth analysis.

Economic Value Added (EVA)

In corporate finance, EVA is an estimate of a firm's economic profit – being the value created in excess of the required return of the company's investors (being shareholders and debt holders). Quite simply, EVA is the profit earned by the firm, less the cost of financing the firm's capital. The idea is that value is created when the return on the firm's economic capital that is employed, is greater than the cost of that capital. This amount can be determined by making adjustments to GAAP accounting. There are potentially over 160 adjustments that could be made but, in practice, only

five or seven key ones are made, depending on the company and the industry in which it competes.

Financial Account

A component of a country's balance of payments that covers claims on or liabilities to non-residents, specifically in regard to financial assets. Financial account components include direct investment, portfolio investment and reserve assets, and are broken down by sector. When recorded in a country's balance of payments, claims made by non-residents on the financial assets of residents are considered liabilities, while claims made against non-residents by residents are considered assets. The financial account differs from the capital account in that the capital account deals with transfers of capital assets. Additionally, the financial account can include claims on land.

Financial Crisis

The term financial crisis is applied broadly to a variety of situations in which some financial assets suddenly lose a large part of their nominal value. In the 19th and early 20th centuries, many financial crises were associated with banking panics, and many recessions coincided with these panics. Other situations that are often called financial crises include stock market crashes and the bursting of other financial bubbles, currency crises, and sovereign defaults. Financial crises directly result in a loss of paper wealth but do not necessarily result in changes in the real economy.

Financial Performance

A subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial Planning

A financial planner or personal financial planner is a professional who prepares financial plans for people. These financial plans often cover cash flow management, retirement planning, investment planning, financial risk

management, insurance planning, tax planning, estate planning and business succession planning (for business owners).

Financial Plan

In general usage, a financial plan is a series of steps or goals used by an individual or business, the progressive and cumulative attainment of which is designed to accomplish a financial goal or set of circumstances, e.g. elimination of debt, retirement preparedness, etc. This often includes a budget which organizes an individual's finances and sometimes includes a series of steps or specific goals for spending and saving for the future. This plan allocates future income to various types of expenses, such as rent or utilities, and also reserves some income for short-term and long-term savings. A financial plan is sometimes referred to as an investment plan but, in personal finance, a financial plan can focus on other specific areas such as risk management, estates, college, or retirement.

Financial Ratio

When computing financial ratios and when doing other financial statement analysis always keep in mind that the financial statements reflect the accounting principles. This means assets are generally not reported at their current value. It is also likely that many brand names and unique product lines will not be included among the assets reported on the balance sheet, even though they may be the most valuable of all the items owned by a company.

Financial Service

Financial services are the economic services provided by the finance industry, which encompasses a broad range of organizations that manage money, including credit unions, banks, credit card companies, insurance companies, accountancy companies, consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises.

Forecasting

Forecasting is the process of making statements about events, the actual outcomes of which have not yet been observed. A commonplace example might be the estimation of some variable of interest at some specified future date. Prediction is a similar but more general term. Both might refer

to formal statistical methods employing time series, cross-sectional or longitudinal data, or alternatively to less formal judgmental methods. Usage can differ between areas of application. For example, in hydrology, the terms "forecast" and "forecasting" are sometimes reserved for estimates of values at certain specific future times, while the term "prediction" is used for more general estimates, such as the number of times floods will occur over a long period.

Risk and uncertainty are central to forecasting and prediction; it is generally considered good practice to indicate the degree of uncertainty being attached to forecasts. In any case, the data must be up to date in order for the forecast to be as accurate as possible.

Funding

Funding is the act of providing resources, usually in the form of money or other value such as effort or time, for a project, person, business, or any other private or public institution. The process of soliciting and gathering funds is known as fundraising.

Initial Public Offering (IPO)

Initial public offering (IPO), or stock market launch, is a type of public offering where shares of stock in a company are sold to the general public, on a securities exchange, for the first time. Through this process, a private company transforms into a public company. Initial public offerings are used by companies to raise expansion capital, to possibly monetize the investments of early private investors, and to become publicly traded enterprises. A company selling shares is never required to repay the capital to its public investors. After the IPO, when shares trade freely in the open market, money passes between public investors. Although an IPO offers many advantages, there are also significant disadvantages, chief among these are the costs associated with the process and the requirement to disclose certain information that could prove helpful to competitors, or create difficulties with vendors.

Insurance Broking

Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.

Insurance Regulatory and Development Authority (IRDA)

The Insurance Regulatory and Development Authority (IRDA) is an autonomous apex statutory body which regulates and develops the insurance industry in India. It was constituted by a Parliament of India act called the Insurance Regulatory and Development Authority Act, 1999, and was duly passed by the Government of India.

Hire Purchase (HP)

Hire purchase (HP), sometimes colloquially known as the “never-never”, is the legal term for a contract in which a purchaser agrees to pay for goods in part (or a percentage) over a specified number of months. In Canada and the United States, a hire purchase is termed an instalment plan, although this may differ slightly because in a hire purchase agreement the ownership of the goods remains with the seller until the last payment is made. Other analogous practices are described as closed-end leasing or rent to own.

Just in Time (JIT)

Just in time (JIT) is a production strategy that strives to improve a business's return on investment by reducing in-process inventory and associated carrying costs. Just in time is a type of operations management approach which originated in Japan in the 1950s. It was adopted by Toyota and other Japanese manufacturing firms, with excellent results: Toyota and other companies that adopted the approach ended up significantly raising their productivity through the elimination of waste.

Joint Venture (JV)

A joint venture (JV) is a business agreement in which the parties agree to develop, for a finite time and by contributing equity, a new entity and new assets. They exercise control over the enterprise and consequently share revenues, expenses and assets. There are other types of companies such as JV limited by guarantee and joint ventures limited by guarantee with partners holding shares.

Journal Entry

In accounting, a journal entry is a logging of transactions into an accounting journal. The journal entry can consist of several recordings, each of which is either a debit or a credit. The total of the debits must equal the total of the credits or the journal entry is said to be "unbalanced". Journal entries can record unique items or recurring items such as depreciation or bond amortization. In accounting software, journal entries are usually entered using a separate module from accounts payable, which typically has its own subledger that indirectly affects the general ledger. As a result, journal entries directly change the account balances on the general ledger.

Leasing

A lease is a contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset. The narrower term, "rental agreement", can be used to describe a lease in which the asset is tangible property. The language that is used in these agreements states that the user "rents" the land or goods that are "let" or "rented out" by the owner. The verb "to lease" is less precise as it can refer to either of these actions. Examples of a lease for intangible property are the use of a computer program (similar to a license, but with different provisions), or the use of a radio frequency (such as a contract with a cell phone provider).

Ledger

A ledger is the principal book or computer file for recording and totalling economic transactions measured in terms of a monetary unit of account by account type. Debits and credits are in separate columns and there is a beginning and ending monetary balance for each account. The term comes from the English dialect forms "liggen" or "leggen", to lie or lay, in sense adapted from the Dutch substantive "legger".

Liquidity Ratios

A class of financial metrics that is used to determine a company's ability to pay off its short-term debt obligations. Generally, the higher the value of the ratio, the larger the margin of safety that the company possesses to cover short-term debts.

Market Capitalisation

The total dollar market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's outstanding shares by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures.

Merchant Banking

A merchant bank is a financial institution that provides capital to companies in the form of share ownership instead of loans. A merchant bank also provides advice on corporate matters for the firms to which they lend. In the United Kingdom, the term "merchant bank" refers to an investment bank.

Mergers and Acquisitions (M&A)

Mergers and acquisitions (M&A) are both aspects of strategic management, corporate finance and management that deal with the buying, selling, dividing and combining of different companies and similar entities that can help an enterprise to grow rapidly in its sector or location of origin, or in a new field or location, without creating a subsidiary, other child entity or by using a joint venture. Mergers and acquisitions activity can be defined as a type of restructuring in that they result in some entity reorganization with the aim of providing growth or positive value. Consolidation of an industry or sector occurs when widespread M&A activity concentrates the resources of many small companies into a few larger ones, such as occurred with the automotive industry between 1910 and 1940.

Money Market Instruments

As money became a commodity, the money market became a component of the financial markets for assets involved in short-term borrowing, lending, buying and selling, with original maturities of one year or less. Trading in the money markets is done over the counter and is wholesale. Various instruments exist, such as treasury bills, commercial paper, bankers' acceptances, deposits, certificates of deposit, bills of exchange, repurchase agreements, federal funds, and short-lived mortgage and asset-backed securities. It provides liquidity-funding for the global financial system. Money markets and capital markets are parts of the financial

markets. The instruments bear differing maturities, currencies, credit risks, and structure. Therefore, they may be used to distribute the exposure.

Mutual Funds

A mutual fund is a type of professionally-managed collective investment scheme that pools money from many investors to purchase securities. While there is no legal definition of the term “mutual fund”, it is most commonly applied to those collective investment vehicles that are regulated and sold to the general public. They are sometimes referred to as "investment companies" or "registered investment companies". Most mutual funds are open-ended, meaning stockholders can buy or sell shares of the fund at any time by redeeming them from the fund itself, rather than on an exchange. Hedge funds are not considered a type of mutual fund, primarily because they are not sold publicly.

New Issue

A reference to a security that has been registered, issued and is being sold on a market to the public for the first time. New issues are sometimes referred to as “primary shares” or “new offerings”. The term does not necessarily refer to newly-issued stocks, although initial public offerings are the most commonly known new issues. Securities that can be newly-issued include both debt and equity.

Net Operating Profit After Tax (NOPAT)

In corporate finance, net operating profit after tax (NOPAT) is a company's after-tax operating profit for all investors, including shareholders and debt-holders. It is equivalent to earnings before interest after taxes (EBIAT) and equal to NOPLAT. It is defined as follows:

$$\text{NOPAT} = \text{Operating profit} \times (1 - \text{Tax Rate}).$$

Operating Ratios

A ratio that shows the efficiency of a company's management by comparing operating expense to net sales. Calculated as:

$$\frac{\text{Operating Expense}}{\text{Net Sales}}$$

Portfolio

Any collection of financial assets, such as cash. Portfolios may be held by individual investors and/or managed by financial professionals, hedge funds, banks and other financial institutions. It is a generally accepted principle that a portfolio is designed according to the investor's risk tolerance, time frame and investment objectives. The monetary value of each asset may influence the risk/reward ratio of the portfolio and is referred to as the “asset allocation” of the portfolio.

Primary Market

The primary market is the part of the capital market that deals with issuing new securities. Companies, governments or public sector institutions can obtain funds through the sale of new stock or bond issues through the primary market. This is typically done through an investment bank or finance syndicate of securities dealers.

The process of selling new issues to investors is called underwriting. In the case of a new stock issue, this sale is an initial public offering (IPO). Dealers earn a commission that is built into the price of the security offering, though it can be found in the prospectus. Primary markets create long-term instruments through which corporate entities borrow from the capital market. Once issued, the securities typically trade on a secondary market such as a stock exchange, bond market or derivatives exchange.

Profitability

Profitability is the primary goal of all business ventures. Without profitability, the business will not survive in the long run, so measuring current and past profitability and projecting future profitability is very important. Profitability is measured with income and expenses. Income is money generated from the activities of the business. However, money coming into the business from activities such as borrowing money does not create income; this is simply a cash transaction between the business and the lender to generate cash for operating the business or buying assets. Expenses are the cost of resources used up or consumed by the activities of the business. A resource such as a machine that has a lifespan of more than one year is used up over a period of years. Repayment of a loan is not an expense, but merely a cash transfer, between the business and the lender.

Profitability Ratios

A class of financial metrics that are used to assess a business's ability to generate earnings, compared to its expenses and other relevant costs incurred during a specific period of time. For most of these ratios, having a higher value relative to a competitor's ratio or the same ratio from a previous period is indicative that the company is doing well.

Private Limited

A private limited company is a voluntary association of no less than two and no more than fifty members, whose liability is limited. The transfer of its shares is limited to its members and it is not allowed to invite the general public to subscribe to its shares or debentures.

Public Limited

The standard legal designation of a company which has offered shares to the general public and has limited liability. A public limited company's stock can be acquired by anyone and holders are only limited to potentially lose the amount paid for the shares. It is a legal form more commonly used in the UK. Two or more people are required to form such a company, assuming it has a lawful purpose.

Ratio Analysis

Quantitative analysis of information contained in a company's financial statements. Ratio analysis is based on line items in financial statements, like the balance sheet, income statement and cash flow statement. The ratios of one item – or a combination of items – to another item or combination are then calculated. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency. The trend of these ratios over time is studied to check whether they are improving or deteriorating. Ratios are also compared across different companies in the same sector to see how they stack up, and to get an idea of comparative valuations. Ratio analysis is a cornerstone of fundamental analysis.

Regulation

A regulation is a rule or law designed to control or govern conduct. In statist mechanisms it can also be extended to the monitoring and enforcement of rules as established by primary and/or delegated legislation. In this form, it is generally a written instrument containing rules having the force of statist law. Other forms of regulation are self-regulation. In general, regulations are written by executive agencies as a way to enforce laws passed by the legislature.

Return on Assets (ROA)

An indicator of how profitable a company is relative to its total assets. ROA gives an idea of how efficiently management is using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment".

The formula for return on assets is: $\text{Net Income} / \text{Total Assets}$

Return on Investment (ROI)

Return on investment (ROI) is the concept of an investment of some resource yielding a benefit to the investor. A high ROI means that the investment gains compare favourably to the investment cost. As a performance measure, ROI is used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. In purely economic terms, it is one way of considering profits in relation to the capital invested.

Scrap

Scrap consists of recyclable materials left over from product manufacturing and consumption, such as parts of vehicles, building supplies, and surplus materials. Unlike waste, scrap can have significant monetary value.

Secondary Market

The secondary market is also called "aftermarket", and is the financial market in which previously issued financial instruments such as stock, bonds, options, and futures are bought and sold. The secondary market is

also used to refer to loans which are sold by a mortgage bank to investors such as Fannie Mae and Freddie Mac. It is further used to refer to the market for any used goods or assets, or an alternative use for an existing product or asset where the customer base is the second market. For example, corn has been used traditionally and primarily for food production and feedstock, but a second or third market has developed for its use in ethanol production.

Shares

In financial markets, a share is a unit of account for various investments. It often means the stock of a corporation, but is also used for collective investments such as mutual funds, limited partnerships, and real estate investment trusts. A corporation divides its capital into shares, which are offered for sale to raise capital, termed as “issuing shares”. Thus, a share is an indivisible unit of capital, expressing the ownership relationship between the company and the shareholder. The denominated value of a share is its face value and the total capital of a company is divided into a number of shares. The income received from shares is known as a dividend. A shareholder, also known as a stockholder, is a person who owns shares of a certain company or organization. The process of purchasing and selling shares often involves going through a stockbroker as a middle man.

Seed Capital

The initial capital used to start a business. Seed capital often comes from the company founders' personal assets or from friends and family. The amount of money is usually relatively small because the business is still in the idea or conceptual stage. Such a venture is generally at a pre-revenue stage and seed capital is needed for research and development, to cover initial operating expenses until a product or service can start generating revenue, and to attract the attention of venture capitalists.

Sum Assured

In the case of the maturity of policies that offer no bonus, the sum assured, or a refund of the premium or no money, is receivable by the insured, depending on the type of policy selected. Cover or “death benefit” is the amount of money the nominee receives from the insurance company upon the insured's death.

Surrender Value

The amount payable to a person who surrenders a life insurance policy.

The Securities and Exchange Board (SEBI)

The Securities and Exchange Board of India (SEBI) is the regulator for the securities market in India. It was established in 1988 and given statutory powers on April 12, 1992 through the SEBI Act, 1992.

Term Loan

A term loan is a monetary loan that is repaid in regular payments over a set period of time. Term loans usually last between one and ten years, but can last as long as 30 years in some cases. A term loan usually involves an unfixed interest rate that will add an additional balance to be repaid.

Trading

A trader is a person or entity, in finance, who buys and sells financial instruments such as stocks, bonds, commodities and derivatives, in the capacity of agent, hedger, arbitrageur, or speculator. According to the Wall Street Journal (2004), a managing director convertible bond trader was earning between \$700,000 and \$900,000, on average.

Venture Capital (VC)

Venture capital (VC) is financial capital provided to early-stage, high-potential growth start-up companies. The venture capital fund earns money by owning equity in the companies in which it invests. This is often a novel technology or business model within the high technology industries, such as biotechnology, IT and software. The typical venture capital investment occurs after the seed funding round, as the first round of institutional capital to fund growth (also referred to as Series A round,) in the interest of generating a return through an eventual realization event, such as an IPO or trade sale of the company. Venture capital is a type of private equity.

Weighted Average Cost of Capital (WACC)

A calculation of a firm's cost of capital in which each category of capital is proportionately weighted. All capital sources – common stock, preferred stock, bonds and any other long-term debt – are included in a WACC calculation. All else being equal, a firm's WACC increases as the beta and rate of return on equity increases, as an increase in WACC notes a decrease in valuation and a higher risk. The WACC equation is the cost of each capital component multiplied by its proportional weight and then summing:

$$\text{WACC} = r_D (1 - T_c) * (D / V) + r_E * (E / V)$$

Where...

- r_D = The required return of the firm's Debt financing
- $(1 - T_c)$ = The Tax adjustment for interest expense
- (D/V) = (Debt/Total Value)
- r_E = the firm's cost of equity
- (E/V) = (Equity/Total Value)

Wealth Advisory

Wealth management, as an investment-advisory discipline, incorporates financial planning, investment-portfolio management, and a number of aggregated financial services. High-net-worth individuals (HNWIs), small-business owners and families who desire the assistance of a credentialed financial advisory specialist call upon wealth managers to coordinate retail banking, estate planning, legal resources, tax professionals and investment management. Wealth managers can have backgrounds as independent chartered financial consultants, certified financial planners or chartered financial analysts (in the USA), or chartered strategic wealth professionals (in Canada).

Working Capital Ratio

The working capital ratio (current assets/current liabilities) indicates whether a company has enough short-term assets to cover its short-term debt. Anything below 1 indicates negative W/C (working capital), while anything over 2 means that the company is not investing excess assets. Most believe that a ratio between 1.2 and 2.0 is sufficient. It is also known as "net working capital".

II.

TEACHING WITH CASES INCLUDED IN THE BOOK

All of these case studies are based on real scenarios. The stories have been constructed with data from real organizations collected during visits. All of the cases have open-ended problems. Students tend to prefer to try to find a definitive single solution but, there are none. This book is designed to have the student succeed in applying the theories in real-world situations. They will also see what can be distinct situations in the workplace. Students get to explore multiple perspectives and address the impacts of different decisions.

III.

WHAT IS A CASE STUDY?

A case study presents an account of what happened to a business or industry over a number of years. Cases bring to life the events that managers have to deal with on a day to day basis. Cases enable the student to experience the organizational problems that he or she probably has not had the opportunity to experience first-hand.

Secondly, cases better facilitate the learning of a theory by an individual. The practical application of these better reveal what is going on in real-world companies. This method of teaching facilitates the evaluation of solutions that companies adopted to deal with particular problems.

Thirdly, case studies give students the opportunity to participate in class, as well as gain experience from the presentation of ideas. There are times when a teacher asks a student group to identify what is going on in a case and, through classroom discussion, the issues in and solutions to the problems of the case will reveal themselves. In such instances, students have to organize their views and conclusions so that they are able to present them to the class. Students and teachers will find that, in many instances, even the students' peers may have analysed the issues differently. This facilitates helpful discussions which can lead to a consensus, which may (or may not) be the solution provided by the group to which the assignment was assigned. To that end, student groups are encouraged to prepare well and be prepared to debate potential issues which may arise.

Conversely, there may be instances where cases are assigned to an individual prior to the class taking place. The individual will be responsible for a 30 or 40-minute presentation of the case to the class. In these instances, the individual should try to cover the issues involved and the problems facing the company, and then propose a series of recommendations for resolving the problems.

After the student presents, discussion can be opened up to the class. This facilitates the learning of skills that help to effectively convey ideas to others. Group analysis provides the critical lessons associated with processes involved in working as a team.