

# Poornaprajna Institute of Management, Udipi

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## ARTHAPRAJNA



*“Everyday is a bank account,  
and time is our currency. No  
one is rich, no one is poor,  
we’ve got 24hrs each”*

# Fin-Glory

From the Editors desk...

A warm welcome to all of you to the 7<sup>th</sup> issue of ARTHAPRAJNA. This issue has an alternate assortment of articles that gives a bird's eye view of the information and realities to our readers.

The first article talks on Investment Banking in Fin-unit. Investment Banking is a financial mechanism that assists in proprietary trading, trading in securities, purchase of assets and so on.

Then it is about Fibonacci Retracement and Moving Average Convergence Divergence (MACD) being Fin-tool and Fin-trend providing direction towards trading concept in stock market.

One of the major developments in Fin-tech is Digital Wallet allowing users to store funds, make transactions and track payment histories of customers. This bulletin has Fin-term column as usual.

Fin-personality of this issue is Mrs. Roshni Nadar Malhotra who is leading the entire HCL Technologies.

At the end, we have a Fin-quiz for you to answer and be the winner. The answers for the previous issue is included in the last page along with the name of the winner. We look forward to your valuable feedback and replies at [arthaprajna@pim.ac.in](mailto:arthaprajna@pim.ac.in)

Warm regards,

Naveen R. Bhat

Chief Editor,

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**FIN-UNIT****INVESTMENT BANKING**

An investment bank is a financial services company or a corporate division that engages in activities based on financial transaction on behalf of individuals, corporation and government.

Traditionally associated with corporate finance such a bank might assist in raising capital by underwriting or acting as client's agent in the insurance of securities. An investment bank may also assist companies involved in mergers and acquisition and provide services such as market making, trading of derivatives and equity securities.

Most investment banks maintain prime brokerage and asset management departments with their investment research business as an industry. It is broken up into the middle market and specialized business.

All investment banking activity is classed either as sell side or buy side. The sell side involves trading securities for cash or for other securities. The buy side involves the provision of advice to institutions that buy investment services. Private equity funds, mutual funds, life insurance companies, unit trusts are the most common types of buy side entities.

An investment bank can also be private and public functions with a screen separating the two prevent information from crossing. The private areas of bank deal with private insider information that may not be publicly disclosed.

Investment banking activities include under writing new debt and equity securities for all types of corporations and helping to facilitate merger and acquisition recognition and private investors.

Investment bankers help corporation governments and other groups plan and manage the financial aspects of large projects.

**By:**



**Geetha**  
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## **FIN-TERM**

## **CASH FLOW**

The term cash flow refers to the net amount of cash equivalents being transferred in and out of a company. If cash is received then it represents inflows and the same way if cash is spent then it represents outflows.

Key elements: -

1. Cash flow is the movement of money in and out of a company.
2. Cash received signifies inflows and cash spent signifies outflows.
3. Cash flow statement is a financial statement that reports on a company's sources and usage of cash over same time.
4. A company's cash flow is typically categorised as cash flow from operations, investing and financing.
5. There are many methods used to analyse a company's cash flow, including the debt service coverage ratio, free cash flow and unlevered cash flow.

Special consideration: -

- Balance sheet: - Balance sheet gives one time snapshot of a company's assets and liabilities.
- Income Statement: - Income Statement indicates the business profitability over certain financial years.

Merits of cash flow: -

1. Ascertaining liquidity and profitability positions:

Cash flow helps to ascertain the liquidity and profitability position of a firm. Profitability position is very important for the company for the long run of the business.

2. Ascertaining optimum cash balance:-

Cash flow is much required to optimise the cash balance. Optimum cash balance helps to meet the shortage of cash in future activities of the business.

### 3. Capital budgeting Decisions:-

Capital budgeting relates to the decision of capital expenditure in various forms. On a long - term basis cash flow timing is very important for this purpose.

### 4. Movement of cash: -

A cash flow Statement represents movement of cash. The management of inflow and outflow of cash for various purposes, on the basis of which future estimates can be prepared.

#### Limitations:-

- Fails to present net income: -

Cash flow statement actually fails to present the net income of a firm. Since it does not consider non-cash items which can be easily ascertained by an income statement.

- Neither a substitute of funds flow statement nor income statement:-

Cash flow is neither a substitute of funds flow statement nor income statement. The functions which are done in fund flow statement and income statement are not included in cash flow statement.

- Not to assess profitability:-

Practically cash flows from operations does not help to assess profitability of a firm since it neither considers the costs nor revenues.

Conclusion:-

The cash flow statement details the change in increase or decrease of the cash and cash equivalent in operating activities, investing activities and financing activities as well as net change of the cash and cash equivalent in the special treatments.

By:



## FIN-TOOL

### **FIBONACCI RETRACEMENT**

Fibonacci series is the one of the technical analysis tools. Fibonacci retracement is a popular tool that helps the traders draw support lines, identify resistance levels, place stop-loss order, and set target prices.

Fibonacci retracement is based on Fibonacci ratio. Key Fibonacci ratios are 23.6%, 38.2%, 50%, 61.8% and 100% and this gives you key levels of support.

Fibonacci retracement levels are horizontal lines that shows the possible location of support and resistance levels. Each level is associated with Fibonacci ratios. It shows how much of a prior move the price has traced. The direction of the previous trend is likely to continue. However, the price of the asset usually retraces to one of the percentages listed above before that happens.

How it works:

- Pair recent trough and peak
- Divide the distance between trough and peak with key Fibonacci ratios of 23.6%, 38.2%, 50%, 61.8%, and 100%.

Up targets = support +  $X * (\text{Resistance} - \text{support})$

Down targets = Resistance –  $X * (\text{Resistance} - \text{support})$

Where X equals to 38.2% or 61.8% or 23.6%

**By:**



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## FIN-Personality

### Roshni Nadar Malhotra

An Indian Billionaire businesswoman, the chairperson of HCL Technologies. Just recently, she became the first woman in India to lead a listed IT company. She is now the richest woman in India. She is the only child of HCL founder and billionaire industrialist Shiv Nadar. She is also the CEO of HCL corporation, the holding company of all HCL group entities.

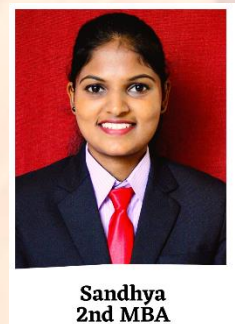


She studied in Vasant Valley School, graduated from Northwestern University majoring in Communication with a focus on Radio/TV/Film and also graduated with a Master's in Business Administration, focusing on social Enterprise Management and strategy from the Kellogg School of Management. Initially she worked as producer in various companies, before joining HCL Technologies in 2013. After joining HCL, she became executive director and CEO within the period of one year. Now she is the chairperson of HCL Technologies after her father stepped down.

She has been consistently recognised as “The world’s 100 most powerful women” by Forbes in 2017,2018 and 2019. She is also an alumnus of

the Forum of young Global Leaders which is a unique and diverse community of the world's most outstanding forum. Before she stood as the CEO of HCL, she served as the trustee of the Shiv Nadar Foundation, which runs the not-for-profit Sri Sivasubramaniya Nadar college of engineering in chennai. And she is also the chairperson of VidyaGyan Leadership Academy. In 2014 she got an award as “NDTV young Philanthropist of the year”, in 2015 as “The world's most Innovative people” award and in 2017 as “Vogue India Philanthropist of the year”.

By:



## FIN-TREND

### MOVING AVERAGE CONVERGENCE DIVERGENCE (MACD)

Indicators that show the relationship between two moving averages of a security's price is called MACD. The MACD is calculated by subtracting the 26-period exponential moving average (EMA) from the 12-period EMA. The result of that calculation is the MACD line. A nine-day EMA of the MACD called the “signal line,” is then plotted on top

of the MACD line, which can function as a trigger for buy and sell signals. Traders may buy the security when the MACD crosses above its signal line and sell the security when the MACD crosses below the signal line. Moving average convergence divergence (MACD) indicators can be interpreted in several ways, but the more common methods are crossovers, divergences, and rapid rises/falls.

$MACD = 12\text{-Period EMA} - 26\text{-Period EMA}$

### ***MACD vs. Relative Strength:-***

The relative strength indicator (RSI) aims to signal whether a market is considered to be overbought or oversold in relation to recent price levels. The RSI is an oscillator that calculates average price gains and losses over a given period of time. The default time period is 14 periods with values bounded from 0 to 100.

These indicators measure momentum in a market, but, because they measure different factors, they sometimes give contrary indications. For example, the RSI may show a reading above 70 for a sustained period of time, indicating a market that is overextended to the buy-side in relation to recent prices, while the MACD indicates the market is still increasing in buying momentum. Either indicator may signal an upcoming trend change by showing divergence from price (price continues higher while the indicator turns lower, or vice versa).

### ***How Do Traders Use Moving Average Convergence Divergence (MACD)?***

Traders use MACD to identify changes in the direction or severity of a stock's price trend. MACD can seem complicated at first glance, since it relies on additional statistical concepts such as the exponential moving average (EMA). But fundamentally, MACD helps traders detect when the recent momentum in a stock's price may signal a change in its underlying trend. This can help traders decide when to enter, add to, or exit a position.

### ***Limitations of MACD:-***

One of the main problems with divergence is that it can often signal a possible reversal but then no actual reversal actually happens—it produces a false positive. The other problem is that divergence doesn't forecast all reversals. In other words, it predicts too many reversals that don't occur and not enough real price reversals.

“False positive” divergence often occurs when the price of an asset moves sideways, such as in a range or triangle pattern following a trend. A slowdown in the momentum—sideways movement or slow trending movement—of the price will cause the MACD to pull away from its prior extremes and gravitate towards the zero lines even in the absence of a true reversal.

**By:**



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**FIN-TECH****DIGITAL WALLET**

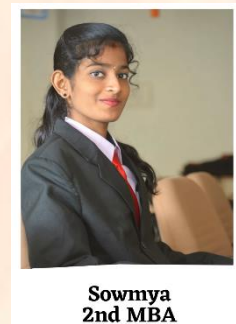
It is a software system which stores all the information related to payment and password for various payment methods and websites of store users. It enables the users to easily complete their buying's. They can also create strong passwords without, bothering about whether they can remember it or not. People can also use digital wallet with mobile payment system with which the customers can pay for their purchases with their smartphones. It can also help to store loyalty card information and digital coupons. Digital wallets are financial accounts which allow the users to store funds, make transactions and track payment histories by computer. These software's may be included in a bank's mobile app or in payment platforms like PayPal or Alipay. Using digital wallet people can also transact cryptocurrencies such as bitcoin, etc.

The main advantage of digital wallet is that it eliminates the burden of carrying physical wallet as it stores all the information related to consumer's purchases securely. They are also helpful to those companies which collect the consumer data. It will be easy for the companies to market their products effectively by knowing about their customers' purchases.

The top 3 leading digital wallets are those of Google, Amazon and Apple. For example, Google wallet services allow its users to store cash in their phones. Customers can spend this cash both in stores, as well as online at businesses that accept Google payments.

These days majority of country's citizens are more into digital wallet. During pandemic people purchased their needs through digital wallet. The concept of digital wallet drove all of us towards cashless economy. This can save time on transactions. Overall, digital wallet is beneficial to its users in all aspects.

**By:**





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