

## Financial Management In Trading System : An Analysis

**Dr. Renu Nainawat**

**Assistant Professor**

**Government commerce Girls college**

**Kota (Rajasthan)**

### **Introduction:--**

The term "market" is sometimes used for what are more strictly exchanges, organizations that facilitate the trade in financial securities, e.g., a stock exchange or commodity exchange. This may be a physical location (such as the New York Stock Exchange (NYSE), London Stock Exchange (LSE), JSE Limited (JSE), Bombay Stock Exchange (BSE) or an electronic system such as NASDAQ. Much trading of stocks takes place on an exchange; still, corporate actions (merger, spinoff) are outside an exchange, while any two companies or people, for whatever reason, may agree to sell the stock from the one to the other without using an exchange.

### **Kinds of Financial Market :**

Within the financial sector, the term "financial markets" is often used to refer just to the markets that are used to raise finance. For long term finance, the Capital markets; for short term finance, the Money markets. Another common use of the term is as a catchall for all the markets in the financial sector, as per examples in the breakdown below:--

(01)**Capital markets** which consist of:**Stock markets**, which provide financing through the issuance of shares or common stock, and enable the subsequent trading thereof.**Bond markets**, which provide financing through the issuance of bonds, and enable the subsequent trading thereof.

(02)**Commodity markets**, The commodity market is a market that trades in the primary economic sector rather than manufactured products, Soft commodities is a term generally referred as to commodities that are grown, rather than mined such as crops (corn, wheat, soybean, fruit and vegetable), livestock, cocoa, coffee and sugar and Hard commodities is a term generally referred as to commodities that are mined such as gold, gemstones and other metals and generally drilled such as oil and gas.

**Money markets**, which provide short term debt financing and investment. Derivatives markets, which provide instruments for the management of financial risk. Futures markets, which provide standardized forward contracts for trading products at some future date; see also forward market. Foreign exchange markets, which facilitate the trading of foreign exchange. Cryptocurrency market which facilitate the trading of digital assets and financial technologies.

(03) **Spot market** :Interbank lending market ,The capital markets may also be divided into primary markets and secondary markets. Newly formed (issued) securities are bought or sold in primary markets, such as during initial public offerings. Secondary markets allow investors to buy and sell existing securities. The transactions in primary markets exist between issuers and investors, while secondary market transactions exist among investors.

Liquidity is a crucial aspect of securities that are traded in secondary markets. Liquidity refers to the ease with which a security can be sold without a loss of value. Securities with an active secondary market mean that there are many buyers and sellers at a given point in time. Investors benefit from liquid securities because they can sell their assets whenever

they want; an illiquid security may force the seller to get rid of their asset at a large discount.

### **Price Action Trading Strategies:---**

Many day traders focus trading strategies on price action to quickly generate a profit over a short time frame. For example, they may look for a simple breakout from the session's high, enter into a long position, and use strict money management strategies to generate a profit. Several tools and software platforms can be used to trade price action. Price action describes the characteristics of a security's price movements.

### **Tools Used for Price Action Trading:--**

Recent historical data Since price action trading relates to and past price movements, all technical analysis tools like charts, trend lines, price bands, high and low swings, technical levels (of support, resistance and consolidation), etc. are taken into account as per the trader's choice and strategy fit. The tools and patterns observed by the trader can be simple price bars, break-outs, price bands, trend-lines, or complex combinations involving candlesticks, channels, volatility, etc. Behavioral and Psychological interpretations and subsequent actions, as decided by the trader, also make up an important aspect of price action trades. For e.g., no matter what happens, if a stock hovering at 580 crosses the personally-set psychological level of 600, then the trader may assume a further upward move to take a long position. Other traders may have an opposite view – once 600 is hit, they assume a price reversal and hence take a short position.

### **The Popularity of Price Action Trading**

Price action trading is better suited for short-to-medium term limited profit trades, instead of long term investments. Most traders believe that the market follows a random pattern and there is no clear systematic way to define a strategy that will always work. By combining the technical analysis tools with the recent price history to identify trade opportunities based on the trader's own interpretation, price action trading has a lot of support in the trading community. Advantages include self-defined strategies offering flexibility to traders, applicability to multiple asset classes, easy use with any trading software, applications and trading portals and the possibility of easy backtesting of any identified strategy on past data. Most importantly, the traders feel in charge, as the strategy allows them to decide on their actions, instead of blindly following a set of rules.

### **Analysis**

Identification and Analysis of Key Aspects Studied Concerning Financial Market Liquidity .By analyzing the literature on Analysis .Identification and Analysis of Key Aspects Studied Concerning Analysis Identification and Analysis of Key Aspects Studied Concerning Financial Market Liquidity. Financial market liquidity risk and expected returns. market liquidity, the following key aspects have been identified relating to which the reviewed studies have been undertaken in the area of Financial market liquidity:-----

- Measurement of Financial market liquidity,
- Factors influencing Financial market liquidity,
- Financial market liquidity and expected returns,
- Financial market liquidity risk and expected returns.

## **FINANCIAL, TREASURY AND MANAGEMENT**

The company secretaries by virtue of their expertise in the corporate laws and procedure are in eminently suitable position to:

- (a) Present to the Board of Directors, the financial, legal and personnel aspects of modernisation, expansion, diversification of the existing projects of new projects;
- (b) Obtain the decision from the Board; and
- (c) Interact effectively with the financial institutions in the process of procuring the finance.

The legal aspects of finance are becoming increasingly important and a Company Secretary is expected to successfully and effectively handle, amongst other things, important aspects such as management of public issues, syndication of loans, obtaining project approvals, raising of finance through public deposits and debentures or bonds etc. All these essentials require expert knowledge of diverse and complex procedures involved. Realising that the services of a Company Secretary could be of immense use in this important area, it was thought necessary to include this paper with a view to equip the students with the requisite fundamentals of the Financial Management.

It has been the endeavour to provide a blend of theoretical concepts and practical orientation. Topics, such as, raising finance from financial institutions, dividend policies, etc. requiring legal expertise and procedural knowledge have been written with a legal bias. Topics such as, project appraisal, financial planning, portfolio management and securities analysis, working capital management and capital budgeting decisions, treasury management, forex management, commodity exchange and derivatives have been written keeping in view the financial management principles and the practical utility. Ample number of practical problems and case studies have been added to aid the student in their learning process.

Though efforts have been made to provide a self-contained study material yet it may require regular supplementation as the subject is of a dynamic and fast changing nature. Students are advised to update their knowledge continuously by reading economic dailies, financial magazines and journal and other relevant literature including reference and suggested readings on the subject. Students are expected to learn the art of applying the principles of financial management to real business situations and for this case studies in the area of finance would prove to be of immense use. The legislative changes made upto June 30, 2017 have been incorporated in the study material. However, it may so happen that some developments might have taken place during the printing of the study material and it supply to the students. The students are therefore, advised to refer to the e-bulletin and other publications for updation of the study material.

Although care has been taken in publishing this study material, yet the possibility of errors, omissions and/or discrepancies cannot be ruled out. This publication is released with an understanding that the Institute shall not be responsible for any errors, omissions and/or discrepancies or any action taken in that behalf. Should

there be any discrepancy, error or omission noted in the study material, the Institute shall be obliged if the same are brought to its notice for issue of corrigendum in the Student Company Secretary e-bulletin. In the event of any doubt, students may write to the Directorate of Professional Development, Perspective Planning and studies in the Institute for clarification

**Objective:** To acquire expert knowledge of practical aspects of the management and techniques of financial, treasury and management.

**Detailed Contents:**

1. Economic Framework

1. Nature and Scope of Financial Management Nature, Significance, Objectives and Scope (Traditional, Modern and Transitional Approach), Risk-Return and Value of the Firm, Financial Distress and Insolvency, Financial Sector Reforms and their Impact, Functions of Finance Executive in an Organisation

2. Capital Budgeting

Time Value of Money, Planning and Control of Capital Expenditure, Capital Budgeting Process Techniques of Capital Budgeting- Discounted and Non-Discounted Cash Flow Methods, Choice of Methods Capital Rationing; Risk Evaluation and Sensitivity Analysis, Simulation for Risk Evaluation Linear Programming and Capital Budgeting Decisions – under Constraints and with Multiple Objectives using Mathematical Programming Models, Inflation, Uncertainty and Evaluation using Statistical Decision Theory, Analysis of Capital Budgeting, Decisions- Some Case Studies

3. Capital Structure

Meaning and Significance, Capital Structure vis-à-vis Financial Structure; Planning and Designing; Optimal Capital Structure, Determinants of Capital Structure; Capital Structure and Valuation - Theoretical Analysis, EBIT - EPS Analysis, EBITDA Analysis (Earnings before Interest, Tax, Depreciation and Amortization), Risk

and Leverage; Measures of Operating and Financial Leverage, Effects of Leverage on Shareholders' Returns

4. Cost of Capital

Meaning; Factors Affecting Cost of Capital, Measurement of Cost of Capital, Weighted Average Cost of Capital, Marginal Cost of Capital

5. Financial Services

Meaning, Significance, Scope and Structure of Financial Services, Types of Financial Services- Merchant Banking, Securitization of Debt, Loan Syndication, Housing Finance, Custodial and Advisory

6. Project Finance

Project Planning - Preparation of Project Report, Project Appraisal under Normal, Inflationary and Deflationary Conditions, Project Appraisal by Financial Institutions - Lending Policies and Appraisal, Norms by Financial Institutions and Banks; Loan Documentation, Project Review and Control; Social Cost and Benefit Analysis of

Project. (UNIDO Approach), Term Loans from Financial Institutions and Banks; Lease and Hire Purchase

Finance; Venture Capital Funds; Private Equity; International Finance and Syndication of Loans, Deferred Payment Arrangements; Corporate Taxation and its Impact on Corporate Financing.

#### 7. Dividend Policy

Introduction; Types, Determinants and Constraints of Dividend Policy Forms of Dividend Different Dividend Theories - Walter's Model, Gordon's Model and Modigliani-Miller Hypothesis of Dividend Irrelevance Dividend

Policy - Practical and Legal Constraints Corporate Dividend Practices in India

#### 8. Working Capital

Meaning, Types, Determinants and Assessment of Working Capital Requirements, Negative Working Capital

Operating Cycle Concept and Applications of Quantitative Techniques Management of Working Capital -

Cash, Receivables, Inventories; Financing of Working Capital; Banking Norms and Macro Aspects Factoring and Forfeiting

#### 9. Security Analysis and Portfolio Management

Security Analysis - Measuring of Systematic and Unsystematic Risk, Fundamental Analysis (Economic,

Industry and Company), Technical Approach and Efficient Capital Market Theory

Portfolio Management - Meaning, Objectives; Portfolio Theory -Traditional Approach; Fixed and Variable

Income Securities, Markowitz Portfolio Theory; Modern Approach - CAPM Model; Economic Value Added,

Sharpe Single & Multi Index Model; Arbitrage Pricing Theory (APT); Risk Adjusted Measure of Performance

#### 10. Derivatives and Commodity Exchanges- An Overview

#### 11. Treasury Management

Meaning, Objectives, Significance, Functions and Scope of Treasury Management, Relationship between

Treasury Management and Financial Management; Role and Responsibilities of Chief Finance Officer

Tools of Treasury Management; Internal Treasury, Controls; Environment for Treasury Management, Liquidity

Management, Regulation, Supervision and Control of Treasury Operations, Implications of Treasury on

International, Banking

#### 12. Forex Management

Nature, Significance and Scope of Forex Management, Foreign Exchange Market and its Structure, Foreign

Exchange Rates and its Determination, Exchange Rate Quotes; Types of Exchange Rates; Forex Trading;

Currency Futures and Options, Foreign Exchange Risk Exposures and their Management; Exchange  
Rate Forecasting; Risk in Foreign Exchange Business

**References:-----**

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