



## International Journal of Finance and Commerce

www.commercejournals.com

Online ISSN: 2664-715X; Print ISSN: 2664-7141

Received: 04-08-2019; Accepted: 05-09-2019; Published: 12-09-2019

Volume 1; Issue 4; 2019; Page No. 14-20

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### Investor Intelligence upon Financial Investigation

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#### Abstract

In present dynamic world, growth of business will be extending day by day. For any extension or newly start-ups their need a source of finance. Those kind of sources for financing will be procure from inverters. It's not a simple thing to gather those kinds of finance as easy as possible. Not in a point of business but in a point of inverters their put some parameters while inverting.

The main core ability of the inverter is to earn not only in the terms of profits but also in terms of wealth. Some of the parameters which inverters generally considers are estimating long term profits and wealth of business, focusing on business performance, performance of business investments, risk analysis, analysing business assets performance and estimating business growth.

**Research objective:** This paper reviews all kind of technics how an inverter using while investing in business.

**Research methodology:** In present business scenario; financial growth of the business depending upon inverters investing. Before any investor investing in company there usually used some techniques for analysing them. Thus, those techniques are very important for them.

The study related on descriptive research upon how financial techniques impact on investor intelligence.

**Further scope of study:** The study can be extended towards empirical analysis of analysing the impact of investor decisions towards investing techniques in an organisation.

**Keywords:** Investor investigation, financial techniques, investor intelligence

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#### Introduction

In present dynamic scenario, investors have a more importance because for the running of business in a smooth manner. In same manner investors will also think for their way of inverting in different business based on their sustainability. Due to more competitor scenario the business persons will not give that much of assurance to their investors due to their business fluctuations. Based upon this improper assurance this is time for investors to take care while inverting in business.

As we all are think in a same manner that inverters role in any business will be sustainable while their use inverter intelligence. Even their used intelligence system in a manner for inverting where they will be an sustainability in their future welfare growth. Here the main complicity is their will be sustain or not.

Generally in any kind of business, at the time of business and for smooth running of a business their need funds it means that procurement of funds and affective utilisation of those funds are very necessary and important. Based upon those two factors effectiveness of business will be depends.

According to B.O. Wheeler, "finance is that business activity which is concerned with the acquisition and conservation of capital funds in meeting the financial needs and overall objectives of business objectives." According to Gitman, "finance is concern with the process institutions, markets and instruments

involve in the transfer of money among individuals, business and government."

#### Literature review

According to Jinhee Kim, a Michael S. Gutter, b and Taylor Spanglerc, "Financial educators need to understand not only the importance of spousal influences in financial decisions but also the unequal participation in family financial decisions by different genders and their subsequent outcomes".

According to Brian Gibson, "Financial investor should understanding of the internal mechanisms of small business and concentrate on studying business persons in action in their environment"

According to Shamim Akhtar, Yanping Liu, "A longitudinal study with a relatively larger sample might deliver added suggestion regarding how firms practice financial statements at changed periods of their growth or through business cycle."

According to Bakhit. G, Alamin. M., "A relationship between the adoptions of financial management decision of the planning process in commercial establishments".

At present we are discussing in point of finance now we consider an organisation point of view

## Departments on an organisation

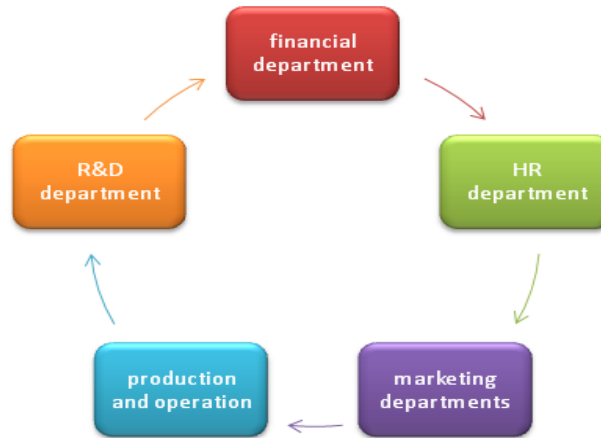


Fig 1

Each and every department will have an inter linked with each and every other departments. Even in those departments, financial department will have an more important compare with others because the flotation of funds from one to another department will be taken over by the financial department. Not only flotation but also the utilisation of those funds will be high in entire the organisation. Hence, financial management will be an that much of importance compare with others.

According to Hoagland, ‘financial management deals with how the corporate obtains the funds and how it uses them’

According to Howard and Upton, “financial management is the application of the planning and control functions to the finance functions, financial management involves the application of general management principles to a particular financial operation”

According to Guthman and Dougals, “financial management is the activity concerned with planning, raising, controlling and administrating of funds used in the business”

### Nature of financial management

- Financial management is all about providing funds needed by a business on terms that are most favourable; keeping its objectives in mind
- Another set of experts believe that finance is all about cash
- Financial management includes the procurement of funds and their effective utilization

### Scope of financial management



Fig 2

There are three decisions that financial managers have to take:

- Investment Decision
- Financing Decision and
- Dividend Decision

### Investment Decision

These are also known as Capital Budgeting Decisions. A company’s assets and resources are rare and must be put to their utmost utilization. A firm should pick where to invest in order to gain the highest conceivable returns. This decision relates to the careful selection of assets in which funds will be invested by the firms. The firm puts its funds in procuring fixed assets and current assets. When choice with respect to a fixed asset is taken it is known as capital budgeting decision.

### Factors Affecting Investment Decision

- Cash flow of the venture: When an organization starts a venture it invests a huge capital at the start. Even so, the organization expects at least some form of income to meet every day day-to-day expenses. Therefore, there must be some regular cash flow within the venture to help it sustain.
- Profits: The basic criteria for starting any venture is to generate income but moreover profits. The most critical criteria in choosing the venture are the rate of return it will bring for the organization in the nature of profit for, e.g., if venture A is getting 10% return and venture B is getting 15% return then one must prefer project B.
- Investment Criteria: Different Capital Budgeting procedures are accessible to a business that can be utilized to assess different investment propositions. Above all, these are based on calculations with regards to the amount of investment, interest rates, cash flows and rate of returns associated with propositions. These procedures are applied to the investment proposals to choose the best proposal.

### Financing Decision

Financial decision is important to make wise decisions about when, where and how should a business acquire fund. Because a firm tends to profit most when the market estimation of an organization’s share expands and this is not only a sign of

development for the firm but also it boosts investor's wealth. Consequently, this relates to the composition of various securities in the capital structure of the company.

### Factors affecting Financing Decisions

- **Cost:** Financing decisions are all about allocation of funds and cost-cutting. The cost of raising funds from various sources differ a lot. The most cost-efficient source should be selected.
- **Risk:** The dangers of starting a venture with the funds from various sources differ. Larger risk is linked with the funds which are borrowed, than the equity funds. This risk assessment is one of the main aspects of financing decisions.
- **Cash flow position:** Cash flow is the regular day-to-day earnings of the company. Good or bad cash flow position gives confidence or discourages the investors to invest funds in the company.
- **Control:** In the situation where existing investors need to hold control of the business then finance can be raised through borrowing money, however, when they are prepared for diluting control of the business, equity can be utilized for raising funds. How much control to give up is one of the main financing decisions.
- **Condition of the market:** The condition of the market matter a lot for the financing decisions. During boom amount issue of equity is in majority however throughout a depression, a firm can have to be compelled to use debt. These decisions are an important part of financing decisions.

### Dividend Decision

Dividends decisions relate to the distribution of profits earned by the organization. The major alternatives are whether to retain the earnings profit or to distribute to the shareholders.

### Factors Affecting Dividend Decisions

- **Earnings:** Returns to investors are paid out of the present and past income. Consequently, earning is a noteworthy determinant of the dividend.
- **Dependability in Earnings:** An organization having higher and stable earnings can announce higher dividend than an organization with lower income.
- **Balancing Dividends:** For the most part, organizations attempt to balance out dividends per share. A consistent dividend is given every year. A change is made, if the organization's income potential has gone up and not only the income of the present year.
- **Development Opportunity:** Organizations having great development openings if they hold more cash out of their income to fund their required investment. The dividend announced in growing organizations is smaller than that in the non-development companies.

### Other Factors

- **Cash flow:** Dividends are an outflow of funds. To give the dividends, the organization must have enough to provide them, which comes from regular cash flow.
- **Shareholders' Choices:** While announcing dividends, the administration must remember the choices of the investors. Some shareholders want at least a specific sum to be paid as dividends.

- **Taxes:** Compare tax rate on dividend with the capital gain tax rate that is applicable to increase in market price of shares. If the tax rate on dividends is lower, shareholders will prefer more dividends and vice versa.
- **Stock market:** For the most part, an expansion in dividends positively affects the stock market, though, a lessening or no increment may negatively affect the stock market.
- **Access to Capital Market:** Huge and organizations with a good reputation, for the most part, have simple access to the capital market and, consequently, may depend less on retained earnings to finance their development.

### Investor Intelligence

Investor intelligence means the way of investor taking decisions in terms of return on investment and their wealth maximization.

### Elements consider in inverter intelligence

Ten things that a inverter consider before inverting are:

#### 1. Draw a personal financial roadmap.

Before you create any investment call, sit down and take an honest look at your entire financial situation -- especially if you've never made a financial plan before.

The first step to booming investment is deciding your goals and risk tolerance – either on your own or with the assistance of a monetary skilled. There is no guarantee that you'll make money from your investments. But if you get the facts regarding saving and investment and follow through with an intelligent arrange, you must be ready to gain monetary security over the years and enjoy the benefits of managing your money.

#### 2. Measure your temperature in seizing risk.

All investments involve some degree of risk. If you intend to shop for securities - like stocks, bonds, or mutual funds - it is important that you just perceive before you invest that you just may lose some or all of your money. Unlike deposits at FDIC-insured banks and NCUA-insured credit unions, the money you invest in securities typically is not federally insured. You could lose your principal that is that the quantity you've got endowed. That's true notwithstanding you buy your investments through a bank.

The reward for absorbing risk is that the potential for a bigger investment come. If you have got a monetary goal with a protracted time horizon, you're possible to form more cash by fastidiously investment in plus classes with bigger risk, like stocks or bonds, rather than limiting your investments to assets with less risk, like money equivalents. On the opposite hand, investing solely in cash investments may be appropriate for short-term financial goals. The principal concern for people investment in money equivalents is inflation risk, that is that the risk that inflation can surpass and erode returns over time.

#### 3. Consider an appropriate mix of investments.

By in addition as and categories with investment returns that move up and down to a lower place fully completely different market conditions among a portfolio, AN capitalist will facilitate shield against vital losses. Historically, the returns of the 3 major plus classes – stocks, bonds, and cash – have not moved up and down at the same time. Market conditions that cause one plus class to try and do well typically cause another plus class to possess average or poor returns. By investment in additional than

one plus class, you'll reduce the risk that you'll lose money and your portfolio's overall investment returns will have a smoother ride. If one plus category's investment come falls, you will be in an exceedingly position to counteract your losses therein plus class with higher investment returns in another plus class.

In addition, asset allocation is important because it has major impact on whether you will meet your financial goal. If you don't include enough risk in your portfolio, your investments may not earn a large enough return to meet your goal. For example, if you're saving for a long goal, such as retirement or college, most financial experts agree that you will likely need to include at least some stock or stock mutual funds in your portfolio.

#### **4. Use caution if investment heavily in shares of employer's stock or someone stock.**

One of the foremost necessary ways in which to minimize the risks of investment is to diversify your investments. It's common sense: don't put all your eggs in one basket. By selecting the correct cluster of investments among AN plus class, you will be ready to limit your losses and cut back the fluctuations of investment returns while not sacrificing too much potential gain. You'll be exposed to vital investment risk if you invest heavily in shares of your employer's stock or anyone stock. If that stock will poorly or the corporate goes bankrupt, you'll most likely lose tons of cash (and maybe your job).

#### **5. Create and maintain an emergency fund.**

Most sensible investors place enough cash during a savings product to hide an emergency, like sudden unemployment. Some ensure would like up to 6 months of their financial gain in savings in order that they realize it can fully be there for them after they need it.

#### **6. Pay off high interest credit card debt.**

There is no investment strategy anyplace that pays off additionally as, or with less risk than, merely paying off all high interest debt you may have. If you owe cash on high interest credit cards, the wisest thing you can do under any market conditions is to pay off the balance in full as quickly as possible.

#### **7. Consider dollar cost averaging.**

Through the investment strategy known as "dollar price averaging," you can protect yourself from the risk of investing all of your money at the wrong time by following a consistent pattern of adding new cash to your investment over a protracted amount of your time. By creating regular investments with identical quantity of cash on every occasion, you will buy more of an investment when its price is low and less of the investment when its price is high. Individuals that generally create a lump-sum contribution to a private plan either at the top of the civil year or in early Gregorian calendar month might want to think about "dollar price averaging" as associate investment strategy, especially in a volatile market.

#### **8. Take advantage of "free money" from employer.**

In many employer-sponsored retirement plans, the leader will match some or all of your contributions. If your employer offers a retirement plan and you do not contribute enough to get your employer's maximum match, you are passing up "free money" for your retirement savings.

#### **9. Consider rebalancing portfolio occasionally.**

Rebalancing is transferring your portfolio back to your original plus allocation combines. By rebalancing, you will make sure that your portfolio doesn't overdraw one or a lot of plus classes, and you may come back your portfolio to a snug level of risk.

You can rebalance your portfolio based either on the calendar or on your investments. Many money specialists suggest that investors rebalance their portfolios on an everyday measure, such as every six or twelve months. The advantage of this methodology is that the calendar may be a reminder of after you ought to take into account rebalancing. Others suggest rebalancing only the relative weight of associate plus category will increase or decreases quite a definite proportion that you have known beforehand. The advantage of this system is that your investments tell you once to rebalance. In either case, rebalancing tends to figure best once done on a comparatively sporadic basis.

#### **10. Avoid circumstances that can lead to fraud.**

Scam artists read the headlines, too. Often, they'll use a extremely publicized item to lure potential investors and create their "opportunity" sound a lot of legitimate. The SEC recommends that you just raise queries associated consider the answers with an unbiased supply before you invest. Always take it slow and see sure friends and relations before finance.

#### **Financial Investigation**

Financial investigation means in sense of financial manager and investor taking decision while investing in any securities. In an organisation sense, financial investigation is a process which is responsible for all the decisions related with liabilities and stockholder's equity of the organisation. In an organization, financial investigation is also known as financing decision. But in finance manager or investor point of view we also consider and discuss about investment decisions.

#### **Financial Decision**

Decisions running with an organization must involve taking thousands of decisions a day as you can imagine. The decisions that have to be taken with respect to the capital structure are known as Financing Decision. Let us learn a bit more about the types of financing decisions.

If carefully reviewed what constitutes a business, we will come to the conclusion that there are two things that matter, money and decision. Without money, a company won't survive and without decisions, money can't survive. An administration has to take countless decisions in the lifetime of the company. Thus, the most important ones are related to money. The decisions related to money are called 'Financing Decisions.'

#### **Inverstment Decision**

Investment decisions will take into accounts by forecasting cash flows and profits generated by the proposed projects.

#### **Importance of investment decision**

- It influence the firms growth in the long term
- It affect the risk of the firm
- It involves commitments of large amount of funds
- Investment decision are among the most difficult decisions to make

### **Need for Investment Decisions**

The need for investment choices arrives for attaining the future objective of the firm viz.

Survival or growth, preserving share of a particular market and retain leadership in a particular aspect of economic activity. The firm may like to make investment decision to avail of the economic opportunities which may arise due to the following reasons:

1. Expansion of the productive process to meet the existing excessive demand in local market to exploit the international markets and to avail the benefits of economies of scale.
2. Replacement of an existing asset, plant, machinery or building may become necessary for reaping advantages of technological innovations, minimising cost of products and increasing the efficiency of labour.
3. Buy or hire on rent or lease a particular asset is another important consideration which establishes the need for making investment decisions.

### **Categories of investment decisions**

There are several categories of investment decisions like

#### **1. Inventory Investment**

Holding of stocks of materials is unavoidable for smooth running of a business. The expenditure on stocks comes in the category of investments.

#### **2. Strategic Investment Expenditure**

In this case, the firm makes investment decisions in order to strengthen its market power. They come on such investment won't be immediate.

#### **3. Modernisation Investment Expenditure**

In this case, the firm decides to adopt a new and better technology in place of the old one for the sake of cost reduction. It is also known as capital deepening process.

#### **4. Expansion Investment on a New Business**

In this case, the firm decides to start a new business or diversify into new lines of production for which a new set of machines are to be purchased.

#### **5. Replacement Investment**

In this category, the firm takes decisions about the replacement of worn out and obsolete assets by new ones.

#### **6. Expansion Investment**

In this case, the firm decides to expand the productive capacity for existing products and thus grows further in a uni-direction. This type of investment is also called capital widening.

### **Factors affecting Investment Decisions:**

According to Prof. Ezra Solomon, for making optimum investment decisions, the following three types of information is required:

1. Estimate of capital outlays and the future earnings of the proposed project focusing on the task of value engineering and market forecasting,
2. Convenience of capital and thought of cost-focusing attention as money analysis, and

3. A correct set of standards by which to select projects for execution to maximise return-focusing attention on logic and arithmetic.

### **1. Estimate of Capital Outlays and Future Earnings of the Proposed Project:**

The management of a firm is guided by various considerations in forecasting the future revenue proceeds arising out of present investment decisions. In current managerial practice if the time horizon over which benefits accrue is longer than one year, then the resources committed are called investment and the money spent is termed capital expenditures. The fixed capital outlay shows the outlay or expenditure made by the firm for creating the capacity of production.

### **The important times of such costs would be as follows**

#### **1. Advance Expenditure**

The expenditure on technical and economic feasibility reports, plant design, licence fee and associated costs, expenditure on the search for finances, and other similar items would be included in this category.

#### **2. Land and Site Development Expenditure**

This includes the cost of land acquired or leasing of land, expenditures on making the land usable, laying of roads, fencing, etc.

#### **3. Construction Costs**

The expenditures on factory buildings, residential houses, roads, electricity supply lines, drainage disposal system, water supply, etc.

#### **4. Machines and Tools**

The cost of machinery should include purchase price of machines, duty, tax, freight insurance, transport charges, etc. Different types of tools will be required for operation, the value of such sets at the plant will be the cost of tools.

#### **5. Erection of Equipment**

The whole plant constituting different types of machines has to be assembled at the plant site. The payment made for installation will be accounted in this category.

#### **6. Training Expenditure**

A firm before purchasing such machines has to get its personnel trained to handle them. The cost incurred on such training will have to be accounted.

#### **7. Franchise Cost**

The cost incurred in getting the franchise from the government or any other institution is also included in this category.

#### **8. Cost of Mobilising Finance**

The firms raise funds partly in the form of shares, bonds, debentures and fixed deposit from the public at large. A well-diversified portfolio carefully chosen from the numerous securities available in the market will help the investor in achieving his objectives.

## 9. Inventory Cost

The decision to carry inventories to satisfy demand is sort of vital for a firm and in bound things the amount of inventories is a guide to arrange production.

The value of such safety inventories would be enclosed within the institution price.

The above costs are concerned with the establishment of a plant. If the plant is ready for operation, it requires certain amount of money to meet the operating costs.

### The broad categories of such costs are as follows

1. Labour cost,
2. Repairing charges and maintenance cost,
3. Rent and royalty payments,
4. Insurance charges,
5. Stationery cost,
6. Payment of tax and duties, and
7. Fuel and power costs.

## 2. Sources of Capital

Sources of capital can be divided into the following four categories:

### i) Internal Capital

It is generated by the firm itself. It includes retained profit, depreciation provision, taxation provision and other reserves.

### ii) Short-term Capital

It is needed to meet day to day expenses (working capital).

### iii) Medium-term Capital

It may be sought for investment in plant and equipment or semi-permanent or permanent addition to current assets. It can be of any use between one to ten years.

### iv) Long-term Capital

It is needed to meet the requirements of fixed capital formation

## Tools or Techniques of Financial Statement Analysis

Important tools or techniques of monetary statement analysis square measure as follows.

1. Comparative Statement or Comparative Financial and Operating Statements.
2. Common Size Statements.
3. Trend Ratios or Trend Analysis.
4. Average Analysis.
5. Statement of Changes in Working Capital.
6. Fund Flow Analysis.
7. Cash Flow Analysis.
8. Ratio Analysis.
9. Cost Volume Profit Analysis

A brief explanation of the tools or techniques of financial statement analysis presented below.

### 1. Comparative Statements

Comparative statements deal with the comparison of different items of the Profit and Loss Account and Balance Sheets of two or more periods. Separate comparative statements are prepared for Profit and Loss Account as Comparative Income Statement and for Balance Sheets.

As a rule, any financial statement can be presented in the form of comparative statement such as comparative balance sheet, comparative profit and loss account, comparative cost of

production statement, comparative statement of working capital and the like.

### 2. Comparative Income Statement

Three important information are obtained from the Comparative Income Statement. They are Gross Profit, Operating Profit and Net Profit. The changes or the improvement in the profitability of the business concern is find out over a period of time. If the changes or improvement is not satisfactory, the management can find out the reasons for it and some corrective action can be taken.

### 3. Comparative Balance Sheet

The financial condition of the business concern can be find out by preparing comparative balance sheet. The various items of Balance sheet for two different periods are used. The assets are classified as current assets and fixed assets for comparison. Likewise, the liabilities are classified as current liabilities, long term liabilities and shareholders' net worth. The term shareholders' net worth includes Equity Share Capital, Preference Share Capital, Reserves and Surplus and the like.

### 4. Common Size Statements

A vertical presentation of monetary data is followed for getting ready common-size statements. Besides, the rupee value of financial statement contents are not taken into consideration. But, solely proportion is taken into account for getting ready common size statement.

### 5. Trend Analysis

The ratios numerous } things for various periods square measure establish then compared underneath this analysis. The analysis of the ratios over a amount of years offers a thought of whether or not the concern is trending upward or downward. This analysis is otherwise called as Pyramid Method.

### 6. Average Analysis

Whenever, the trend ratios square measure calculated for a concern, such ratios are compared with industry average. These each trends are often bestowed on the paper additionally within the form of curves. This presentation of facts within the form of images makes the analysis and comparison additional comprehensive and spectacular.

### 7. Statement of Changes in Working Capital

The extent of increase or decrease of assets is known by getting ready the statement of changes in assets. The amount of web assets is calculated by subtracting the add of current liabilities from the add of current assets. It doesn't detail the explanations for changes in assets.

### 8. Fund Flow Analysis

Fund flow analysis deals with careful sources and application of funds of the concern for a selected amount. It indicates where funds come from and how they are used during the period under review. It highlights the changes within the money structure of the corporate.

### 9. Cash Flow Analysis

Cash flow analysis relies on the movement of money and bank balances. In other words, the movement of cash instead of

movement of working capital would be considered in the cash flow analysis. There are two types of cash flows. They are actual cash flows and notional cash flows.

#### **10. Ratio Analysis**

Ratio analysis is a trial of developing pregnant relationship between individual things (or cluster of items) within the record or profit and loss account. Ratio analysis is not only useful to internal parties of business concern but also useful to external parties. Ratio analysis highlights the liquidity, solvency, profitability and capital gearing.

#### **11. Cost Volume Profit Analysis**

This analysis discloses the prevailing relationship among sales, cost and profit. The cost is divided into two. They are fixed cost and variable cost. There is a continuing relationship between sales and variable price. Cost analysis permits the management for higher profit designing.

#### **Conclusion**

In this paper, we mention different kinds of methodology and techniques which an investor and general financial managers used in regular bases in descriptive manner. As we discussed every technique is differ from one to another based on their nature. But one common thing which we are observed while we make a exploratory research that is “Any financial research done by an investor or financial manager based on their intelligence will be to reached their wealth growth as well as their risk less financial investing.”

#### **Suggestion for future research**

We just mention about financial intelligence techniques in a way of theoretical but not in a way of particle. Future scope of research mention about the mechanism and particle way of description about the financial techniques.

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