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Review Article

Equity Share: Glimpse of Economical Balance in Corporate Sector

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A B S T R A C T

A share or stock is also known as an equity share as well. The equity share basically represents ownership in the company. When a company needs capital or money to operate, it generates the required funds by selling ownership in the company. This means that the company issues equity shares for a price and these shares represent ownership in the company for the one who purchases the shares. These shares are an ownership in the company and give the owner the right to have a share in the profits of the firm.

Keywords: Equity, Stock Market, Investment, Paid Up Capital, Economy

Introduction

Equity share is a main source of finance for any company giving investors rights to vote, share profits and claim on assets. Various types of equity share capital are authorized, issued, subscribed, paid up, rights, bonus, sweat equity etc. The expression of the value of equity shares are in terms of face value or par value, issue price, book value, market value, intrinsic value, stock market value etc.

In the world of finance and investment management, 'equity share' is a big word and we frequently use it in every next discussion. We call it stock, ordinary share, or shares, all are one and the same. Explaining equity shares in a page or a bunch of pages is very difficult. Let us still try to define it in a summarized manner as possible.

Literature Review

Benefits and Disadvantages of Equity Shares Investment

Benefits of equity share investment are dividend entitlement, capital gains, limited liability, control, claim over income and assets, right shares, bonus shares, liquidity etc. Disadvantages are dividend uncertainty, high risk, fluctuation in market price, limited control, residual claim etc.

Equity share is looked at from different perspectives by different stakeholders. Broadly, there are two major angles of looking at it – Company and Investor Angle. So, any statement about equity capital would have a different meaning for a company and an investor. We will look at the investor angle of equity share investment.

Benefits and Disadvantages of Equity Finance

Equity financing is when a corporation sources funds from an investor who agrees to share profit and loss to the extent of its share without expecting any fixed return (interest etc). These investors become the owners of the company to the extent of their share of investment.

Equity financing is one of the main funding options for any corporation. To understand the pros and cons of equity finance from a company point of view, let's discuss the benefits and disadvantages of equity as a source of financing.

Mellon BNY Case

Mellon Financial And The Bank Of New York Case on Growth And Value Creation Presented to: Dr. Mayank Joshipura Submitted by Group 6 Ankit Gaurav Bansal Vaibhav Jha Shipra Jha Prachi Khaitan Akshat Pareek Raghvendra Raghao Piyush Upadhyay Contents Part 1: Estimation of

Synergy Value.. 3 Question 1: What is the value of the cost savings synergies created by the deal? 3 Question 2: How much confidence do you have in your estimate of synergies?3 Question 3: Will synergy cash-flows allow the banks to increase their debt?. 4 Question 4: Under that terms of proposed deal, what fraction of the synergies will be captured by Mellon legacy shareholders? By BNY legacy shareholders?show more content...

By doing this we are ensuring that, 1. The cash flows are discounted at the rate at which they are going to be invested 2. The two entities have different betas, which mean we should use different WACCs for the cost savings from each of them. 3. For the onetime costs we do not have enough data to calculate the company wise expenses so, we discount it at a rate that seems reasonable. In this case which we have assumed to be the mean of the WACCs of the two entities. Question 3: Will synergy cash-flows allow the banks to increase their debt? Answer 3 Since, cost synergies will not change the book values of equities for the merged entity, but they will be transferred to the retained earnings which will increase the overall equity. An increase in the equity will leave some leeway for the debt which can be used to get additional debt. Question 4: Under that terms of proposed deal, what fraction of the synergies will be captured by Mellon legacy shareholders? By BNY legacy shareholders? (“Legacy” shareholders are the former shareholders of BNY or Mellon, after they become shareholders of the new company.) Answer 4 The calculation of the synergy captured by the Mellon Legacy shareholder has been shown in the attached excel sheet Group_6_M&A_Mello nBNY_Calc.xlsx Synergy to Mellon shareholders Synergy to BNY shareholders 4949.50 8674.88

Part 2 - Accretion vs. Dilution of Earnings per share Question 5: Based on the last closing stock Show More

Economical balance in corporate Sector: Should Equity Be a Goal of Economic Policy?

Over the past decade, global output has grown by more than 3 percent a year and inflation has slowed in most regions. The fruits of this growth have not been shared equally, however, and income disparities have grown in many countries, developed as well as developing. One of the most pressing issues facing policymakers today is how to respond to these trends. To what extent are growth and equity complementary, and to what extent is there a trade-off between the two?

Why is Equity Important?

The answers to these questions depend on how equity is defined. Different societies have different perceptions of what is equitable, and these social and cultural norms shape the policies they will adopt to promote equity. Although there is a consensus that extreme inequality of income, wealth, or opportunity is unfair and that efforts should be made to raise the incomes of the poorest members of society, there is little agreement on the desirability of greater income equality for its own sake or on what constitutes a fair distribution of income. Equity issues are especially knotty because they are inextricably intertwined with social values. Nonetheless, economic policymakers are devoting greater attention to them for a number of reasons:

- Some societies view equity as a worthy goal in and of itself because of its moral implications and its intimate link with fairness and social justice.
- Policies that promote equity can help, directly and indirectly, to reduce poverty. When incomes are more evenly distributed, fewer individuals fall below the poverty line. Equity-enhancing policies, particularly such investment in human capital as education, can, in the long run, boost economic growth, which, in turn, has been shown to alleviate poverty.
- Heightened awareness of the discrimination suffered by certain groups because of their gender, race, or ethnic origin has focused attention on the need to ensure that these groups have adequate access to government services and receive fair treatment in the labor market.
- Many of today’s policies will affect the welfare of future generations, which raises the issue of intergenerational equity. For instance, the provision of very generous pension benefits to today’s retirees could be at the expense of tomorrow’s retirees--an important issue in many transition and industrial countries.
- Policies that promote equity can boost social cohesion and reduce political conflict. To be effective, most policies require broad political support, which is more likely to be forthcoming when the distribution of income is seen as fair. However, macroeconomic adjustment that entails growth-enhancing structural reforms such as privatization may increase unemployment and worsen inequality in the short run. In such circumstances, well-targeted social safety nets to shelter the consumption levels of the poor are critically important.

Conclusion

Despite widespread economic expansion, income gaps have widened during the past decade in many parts of the world, including in the industrial countries. This trend has heightened concerns about the treatment of equity in the formulation of economic policy. Equity and growth can be complementary: some policies that promote equity--particularly investment in human capital--can boost growth in the long run and thus alleviate extreme poverty, increase social cohesion, and reduce the scope for political conflict. Policy choices are not always so easy, however: when growth and equity do not go hand in hand, when and how should governments intervene?

The strategies that countries have adopted vary widely. The most effective tool for redistributing income is fiscal policy. And of the two sides of the budget--taxation and spending--the expenditure side, especially spending on health and education, has offered the better opportunities for reducing income inequality over the long term. But governments have also pursued income redistribution through labor market measures, monetary policy, and the overall stance of macroeconomic policy.

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