
Financial Statement Analysis and Valuation Conference

*Accounting for Uncertainty and Risk:
Investor, Management, and Policy
Implications*

Liquidity and Capital Management

Questions and Takeaways

	<u>Risk</u>	<u>Uncertainty</u>
<i>Measurable</i>	☑	?
<i>Manageable</i>	?	?
<i>Profit Generating</i>	?	?
<i>Education</i>	☑	?
<i>Research</i>	☑	?
<i>Policy</i>	?	?

Experiencing Uncertainty and Risk

- ❖ *How much cash is enough?*
- ❖ *What is capital for (risk or uncertainty), how much is enough?*
- ❖ *Corporate versus “Unit of Accountability”*

How Much Capital is Enough?

Does the composition matter?

Cash	Payables
Receivables	Short-term loans
Inventory	Provisions
Property and Equipment	Debt
Intangibles	Contributed Capital
	Retained Earnings

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A Typical Bank Balance Sheet

<i>Assets</i>	<i>Liabilities and Equity</i>
Cash and Treasuries	Customer Deposits
Investments in Securities	
Loans to Individuals	Short term Borrowing using Securities
Loans to Companies	Short term Borrowing using Other Assets
Housing Loans	Long-term Debt
Commercial Real Estate Loans	Share Capital
Property	Other Comprehensive Income
Intangibles	Retained Earnings

How should these be measured?

How do we think about the equity components?

What is on the “other side” of equity?