

## Module 1

# Introduction to Financial Management

---

FINE 3010, Financial Management  
Prof. Renping Li, Tulane University

# Overview

- What is a business? Sole proprietorships, partnerships, corporations
- What is financial management? Investment and financing decisions
- What do businesses want to achieve? Maximize shareholder value
- How? Good investment and financing decisions, despite the agency problem
- Are there ethical considerations? Shareholders vs. stakeholders
- Where does the money come from? Financial markets and intermediaries

## Module 1, Part 1

# Introduction

# What is a business?

- **Definition**, An organization engaged in commercial, industrial, or professional activities



# What is a business?

- **Definition**, An organization engaged in commercial, industrial, or professional activities
- **Types of business**,
  - Sole proprietorship (local café)
  - Partnership (law firm)
  - Corporation (Apple/Tesla)



# What is a corporation?

- What makes businesses like Apple or Tesla so different from a local café?
  - The answer lies in the concept of ***corporations***.



# What is a corporation?

- What makes businesses like Apple or Tesla so different from a local café?
  - The answer lies in the concept of ***corporations***.
- What are corporations, why do they play such a large role?



# What is a corporation?

- What makes businesses like Apple or Tesla so different from a local café?
  - The answer lies in the concept of ***corporations***.
- What are corporations, why do they play such a large role?
- **Definition**, A legal entity that is separate and distinct from its owners



# What is a corporation?

- What makes businesses like Apple or Tesla so different from a local café?
  - The answer lies in the concept of *corporations*.
- What are corporations, why do they play such a large role?
- **Definition**, A legal entity that is separate and distinct from its owners
  - Can own assets, enter contracts, free speech, political donations (e.g., Citizens United v. FEC)



Heimler's History (3:10), "[Citizens United v. FEC, EXPLAINED](#)"

# What is a corporation?

- What makes businesses like Apple or Tesla so different from a local café?
  - The answer lies in the concept of *corporations*.
- What are corporations, why do they play such a large role?
- **Definition**, A legal entity that is separate and distinct from its owners
  - Can own assets, enter contracts, free speech, political donations (e.g., Citizens United v. FEC)
  - Formed when individuals pool cash in return for shares, a claim on future profits



Heimler's History (3:10), "[Citizens United v. FEC, EXPLAINED](#)"

# What is a corporation?

- **History,**
  - Early example, *Commenda* (13th Century Italy)
  - 'Passive partner' funded a merchant vessel, 'managing partner' sailed it, investing no capital
  - After the voyage, profits divided by a predetermined formula
  - *Dutch East India Company* (1602), First publicly traded shares



Financial History (4:09), "[The VOC Dutch East India Company 1602](#)"

# What distinguishes a corporation from other forms of business?

- Different from sole proprietorships and partnerships in three ways,
  1. Separation of ownership and control
  2. Who owns the liabilities?
  3. Who pays the taxes?



# What distinguishes a corporation from other forms of business?

- Separation of ownership and control
- Who owns the firm, and who runs the firm?
- Sole Proprietorship/Partnership
  - Neighborhood coffee shop
    - The owner is the manager



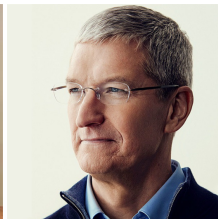
# What distinguishes a corporation from other forms of business?

- Separation of ownership and control
- Who owns the firm, and who runs the firm?
- Sole Proprietorship/Partnership
  - Neighborhood coffee shop
    - The owner is the manager
  - Law firms or dental clinics
    - The lawyers and dentists own the practice



# What distinguishes a corporation from other forms of business?

- Separation of ownership and control
- Who owns the firm, and who runs the firm?
- Sole Proprietorship/Partnership
  - Neighborhood coffee shop
    - The owner is the manager
  - Law firms or dental clinics
    - The lawyers and dentists own the practice
- Corporation,
  - Apple
    - One of the largest owners, Berkshire Hathaway (Warren Buffett)
    - CEO, Tim Cook



# What distinguishes a corporation from other forms of business?

- Separating ownership and control helps firms scale
  - Imagine if all “passive” partners in *Commenda* were expected to participate in the voyage!

# What distinguishes a corporation from other forms of business?

- Separating ownership and control helps firms scale
  - Imagine if all “passive” partners in *Commenda* were expected to participate in the voyage!

|                           | Sole Proprietorship | Partnership | Corporation  |
|---------------------------|---------------------|-------------|--------------|
| Who owns the business?    | Entrepreneur        | Partners    | Shareholders |
| Who manages the business? | Entrepreneur        | Partners    | Managers     |

# What distinguishes a corporation from other forms of business?

- What happens if a firm takes a bank loan and cannot repay it, who owns the liabilities?



# What distinguishes a corporation from other forms of business?

- What happens if a firm takes a bank loan and cannot repay it, who owns the liabilities?
- Sole Proprietorship, Partnership, Bank can seize firm's assets and owners' personal assets
- Corporation, Bank can seize firm's assets, not owners' personal assets
  - This is **Limited Liability**



# What distinguishes a corporation from other forms of business?

- **Key Idea**, Corporations are legal entities separate from their owners
- Limited liability made today's large, risk-taking corporations possible!

|                   | Sole Proprietorship                 | Partnership                                   | Corporation                                                                     |
|-------------------|-------------------------------------|-----------------------------------------------|---------------------------------------------------------------------------------|
| Owner's Liability | Unlimited                           | Unlimited                                     | Limited                                                                         |
|                   | Owner's house or car can be seized. | All partners' personal assets can be at risk. | Owners' (shareholders') personal assets are not at risk and will not be seized. |

---



# What distinguishes a corporation from other forms of business?

- Who pays the taxes?



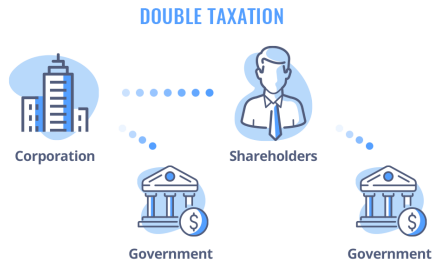
# What distinguishes a corporation from other forms of business?

- Who pays the taxes?
- Sole Proprietorship, Partnership, Only owners pay tax



# What distinguishes a corporation from other forms of business?

- Who pays the taxes?
- Sole Proprietorship, Partnership, Only owners pay tax
- Corporation,
  - Business pays tax on its income
  - Owners also pay tax on investment income
  - This is called **Double Taxation**
- **Key Idea**, Corporations are legal entities separate from their owners



# What distinguishes a corporation from other forms of business?

|                           | Sole Proprietorship | Partnership | Corporation                  |
|---------------------------|---------------------|-------------|------------------------------|
| Typical Size              | Small               | Medium      | Large                        |
| Who owns the business?    | Entrepreneur        | Partners    | Shareholders                 |
| Who manages the business? | Entrepreneur        | Partners    | Managers                     |
| Owner's Liability         | Unlimited           | Unlimited   | Limited                      |
| Who pays the taxes?       | Entrepreneur        | Partners    | Corporation and Shareholders |

---

# Recap of Part 1

- What is a business?
  - Organization engaged in commercial, industrial, or professional activities
  - Types of businesses, Sole Proprietorship, Partnership, and Corporation
  - Corporations are different, (i) ownership vs. control, (ii) who owns the liabilities, (iii) who pays the taxes?

## Module 1, Part 2

# Financial Management and Goals of a Corporation

# What goals should businesses achieve?



# What goals should businesses achieve?

- Increase customer satisfaction?
- Have a good ESG (Environmental, Social, Governance) reputation?
- Expand to more countries, reach more customers?
- Stay ahead of competitors?
- Maximize efficiency, minimize expenses?
- Maximize cash flow?





# What goals should businesses achieve?

- Increase customer satisfaction?
- Have a good ESG (Environmental, Social, Governance) reputation?
- Expand to more countries, reach more customers?
- Stay ahead of competitors?
- Maximize efficiency, minimize expenses?
- Maximize cash flow?
- Traditional answer, **maximize shareholder value**



# Shareholder Theory

- **Shareholder value**, the market value of the firm's shares

# Shareholder Theory

- **Shareholder value**, the market value of the firm's shares
- **Shareholder Theory**,
  - The only goal of a corporation is to maximize shareholder value

# Shareholder Theory

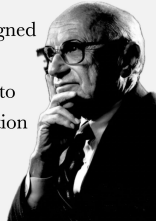
- **Shareholder value**, the market value of the firm's shares
- **Shareholder Theory**,
  - The only goal of a corporation is to maximize shareholder value
  - Other parties are protected by laws and regulations

# Shareholder Theory

- **Shareholder value**, the market value of the firm's shares
- **Shareholder Theory**,
  - The only goal of a corporation is to maximize shareholder value
  - Other parties are protected by laws and regulations

“There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”

Milton Friedman



# Critics of Shareholder Theory

- **Critics**, Shareholder theory has harmed society, e.g.,
  - Higher income inequality
  - Higher carbon emissions
  - Negative externalities on developing countries



newyorkermag • Follow

...



*"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."*

# Sometimes, there is no conflict

- Benefitting other parties (consumers, employees, etc.) creates a good reputation



Marcus Goes Marketing (0:56), "Patagonia's 'Don't buy this jacket' campaign is a stroke of genius"

Sales rose about 30% the following year

# Sometimes, there is no conflict

- Benefitting other parties (consumers, employees, etc.) creates a good reputation
- Reputation increases shareholder value in the long run



Marcus Goes Marketing (0:56), "Patagonia's 'Don't buy this jacket' campaign is a stroke of genius"

Sales rose about 30% the following year



# What is financial management?

- How do businesses achieve shareholder value maximization?



# What is financial management?

- How do businesses achieve shareholder value maximization?
- Small (coffee shop) or large (Tesla), success requires ***sound financial management***, good decisions involving money



# What is financial management?

- How do businesses achieve shareholder value maximization?
- Small (coffee shop) or large (Tesla), success requires ***sound financial management***, good decisions involving money
- Financial management = **Investment decisions** + **Financing decisions**



# Investment Decision

- Decision to buy or sell real assets

The largest Meta data center yet brings big impact to Louisiana



“Meta data centers are part of the global infrastructure that brings our technologies and programs to life.”

# Investment Decision

- Decision to buy or sell real assets
- **Real assets**, Costly assets that pay real returns in future

## 1. Tangible Assets

- Physical assets that you can touch
- E.g., Equipment, factory, land, etc.

The largest Meta data center yet brings big impact to Louisiana



“Meta data centers are part of the global infrastructure that brings our technologies and programs to life.”

# Investment Decision

- Decision to buy or sell real assets
- **Real assets**, Costly assets that pay real returns in future
  1. Tangible Assets
    - Physical assets that you can touch
    - E.g., Equipment, factory, land, etc.
  2. Intangible Assets
    - Assets that are not physical (but still valuable)
    - E.g., Expertise, brand recognition, patents, etc.
    - E.g., ChatGPT's algorithm and database



# Financing Decision

- Decision on how to raise money from investors and repay them



# Financing Decision

- Decision on how to raise money from investors and repay them
- Suppose the business wants to buy a real asset,





# Financing Decision

- Decision on how to raise money from investors and repay them
- Suppose the business wants to buy a real asset,
  - Use own money,
    - Cash savings
  - Raise money from others,
    - Sell shares
    - Borrow (bank/investors)



# Financing Decision

- **Financial asset**, value from a contractual right or ownership claim. E.g.,
  - A stock, claim on the firm's real assets and their future income
  - A bank loan, right to repayment plus interest
- Firms finance real assets by issuing financial assets to investors
  - “Finance” (*verb*) means gathering money



# Example, Delta

- In 2017, Delta decided to expand its fleet
- It ordered 100 Airbus 321 airliners



# Example, Delta

- In 2017, Delta decided to expand its fleet
- It ordered 100 Airbus 321 airliners
- This is an example of **Investment Decision**
  - Or “Capital budgeting decision”
  - Or “Capital expenditure (CAPEX) decision”



# Example, Delta

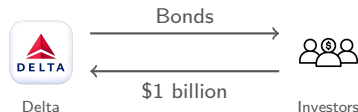
- In 2017, Delta decided to expand its fleet
- It ordered 100 Airbus 321 airliners
- This is an example of **Investment Decision**
  - Or “Capital budgeting decision”
  - Or “Capital expenditure (CAPEX) decision”
- This requires money, how to pay for it?



# Example, Delta

- In 2017, Delta decided to expand its fleet
- It ordered 100 Airbus 321 airliners
- This is an example of **Investment Decision**
  - Or “Capital budgeting decision”
  - Or “Capital expenditure (CAPEX) decision”
- This requires money, how to pay for it?
  - Delta issued (sold) \$1 billion 5-year bonds
  - Investors gave money to Delta
  - Investors got a promise of repayment with interest

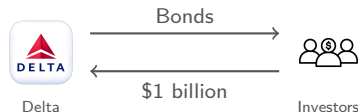
**In 2017 (at the time of issuance)**



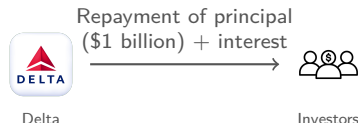
# Example, Delta

- In 2017, Delta decided to expand its fleet
- It ordered 100 Airbus 321 airliners
- This is an example of **Investment Decision**
  - Or “Capital budgeting decision”
  - Or “Capital expenditure (CAPEX) decision”
- This requires money, how to pay for it?
  - Delta issued (sold) \$1 billion 5-year bonds
  - Investors gave money to Delta
  - Investors got a promise of repayment with interest
- This is an example of **Financing Decision**

**In 2017 (at the time of issuance)**



**2018 to 2023 (over the next five years)**



# How to maximize shareholder value?

- Investment Decision
  - Choose investments whose returns are higher than any other alternative use of cash





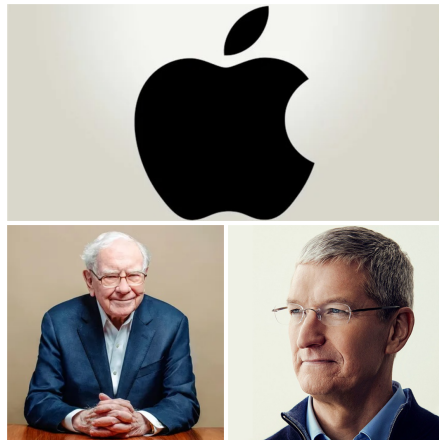
# How to maximize shareholder value?

- Investment Decision
  - Choose investments whose returns are higher than any other alternative use of cash
- Financing Decision
  - Choose the cheapest source of funding



# Challenge in maximizing shareholder value

- Remember, Investment/Financing decisions in a corporation are made by managers (not owners)
- **Agency Problems**, managers, who act as agents for shareholders, may pursue their own interests instead of maximizing shareholder value



# Challenge in maximizing shareholder value

- Remember, Investment/Financing decisions in a corporation are made by managers (not owners)
- **Agency Problems**, managers, who act as agents for shareholders, may pursue their own interests instead of maximizing shareholder value
- Examples,
  - Frivolous expenditures
- Is a back-up private jet a reasonable expenditure for GE's CEO?



CNBC, Oct. 2017 (3:56), "[CEOs Under Fire For Costly Private Jets](#)"

# Solving the agency problem

- Hire other people to monitor the manager
  - **Board of directors**, a group elected by shareholders to oversee management
  - Give them the power to fire the manager



# Solving the agency problem

- Hire other people to monitor the manager
  - **Board of directors**, a group elected by shareholders to oversee management
  - Give them the power to fire the manager
- Make manager partial shareholder
  - Board of directors can design compensation contracts with
    - performance targets
    - stock grants



# Solving the agency problem

- Hire other people to monitor the manager
  - **Board of directors**, a group elected by shareholders to oversee management
  - Give them the power to fire the manager
- Make manager partial shareholder
  - Board of directors can design compensation contracts with
    - performance targets
    - stock grants
- “Active” shareholders influence decisions via proposals and votes
  - These happen in annual shareholder meetings

BUSINESS | MEDIA

## Warner Discovery Shareholders Vote Against CEO David Zaslav's Pay

Majority of shareholders nixed Zaslav's \$51.9 million compensation package for 2024 in symbolic 'say-on-pay' ballot

By [Joe Flint](#) [Follow](#)

Updated June 3, 2025 5:02 pm ET

# Recap of Part 2

- What do businesses want to achieve?
  - Maximize shareholder value
- Are there ethical considerations?
  - Yes
- How do they achieve their goals? What is financial management?
  - Financial management = **Investment decisions** + **Financing decisions**
  - Investment Decision, Choose projects that return more than the best alternative
  - Financing Decision, Choose the cheapest source of funding
  - Solving agency problems

## Module 1, Part 3

# Financial Markets and Institutions



# Example, Apple Inc.

## Examples of financing decisions by Apple

|                                                                                                                     |                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>April 1976, Apple Computer Inc. founded</i>                                                                      | Mike Makkula, Apple's first chairman, invests \$250,000 in Apple shares.                                                                                                                                                                    |
| <i>1976, First 200 computers sold</i>                                                                               | Parts suppliers give Apple 30 days to pay. (Financing from accounts payable.)                                                                                                                                                               |
| <i>1978–79</i>                                                                                                      | Apple raises \$3.5 million from venture capital investors.                                                                                                                                                                                  |
| <i>December 1980, Initial public offering</i>                                                                       | Apple raises \$91 million, after fees and expenses, by selling shares to public investors.                                                                                                                                                  |
| <i>May 1981</i>                                                                                                     | Apple sells 2.6 million additional shares at \$31.25 per share.                                                                                                                                                                             |
| <i>April 1987</i>                                                                                                   | Apple pays its first dividend at an annual rate of \$.12 per share.                                                                                                                                                                         |
| <i>Early 1990s</i>                                                                                                  | Apple carries out several share repurchase programs.                                                                                                                                                                                        |
| <i>1994</i>                                                                                                         | Apple issues \$300 million of debt at an interest rate of 6.5%.                                                                                                                                                                             |
| <i>1996–97, Apple reports a \$740 million loss in the second quarter of 1996. Lays off 2,700 employees in 1997.</i> | Dividend is suspended in February 1996. Apple sells \$661 million of debt to private investors in June 1996. The borrowing provides "sufficient liquidity" to execute Apple's strategic plans and to "return the company to profitability." |
| <i>September 1997, Acquires assets of Power Computing Corp.</i>                                                     | Acquisition is financed with \$100 million of Apple stock.                                                                                                                                                                                  |

# Example, Apple Inc.

## Examples of financing decisions by Apple (continued)

*2004, Apple is healthy and profitable, thanks to iMac, iPod, and other products.*

Apple pays off the \$300 million in long-term debt issued in 1994, leaving the company with no long-term debt outstanding.

*2005–13*

Apple's profits grow rapidly. It invests in marketable securities, which accumulate to \$147 billion by June 2013.

*2012–13*

Apple announces plans to pay out \$100 billion to shareholders over the next 3 years. It also borrows a record \$17 billion.

*2013–15*

Apple's Capital Return Program distributes cash to shareholders by paying dividends and repurchasing shares. The planned total distribution is \$200 billion by 2017.

*2015*

Apple issues \$14.5 billion in dollar-denominated debt, €4.8 billion in euro debt, as well as debt issued in U.K. pounds, Swiss francs, and Japanese yen.

*December 2017*

Apple's market capitalization, the total market value of all its outstanding shares, is \$851 billion, far in excess of the \$140 billion cumulative investment by Apple's shareholders. The cumulative investment includes \$105 billion of retained earnings.

# Example, Apple Inc.

- How do small businesses raise money?



# Example, Apple Inc.

- How do small businesses raise money?
  1. Founders' own money
  2. Sell shares to private investors
  3. Take a loan



# Example, Apple Inc.

- How do small businesses raise money?
  1. Founders' own money
  2. Sell shares to private investors
  3. Take a loan
- How do large corporations raise money?



# Example, Apple Inc.

- How do small businesses raise money?
  1. Founders' own money
  2. Sell shares to private investors
  3. Take a loan
- How do large corporations raise money?
  1. Issue shares on stock market
  2. Issue bonds
  3. Take a loan



# Example, Apple Inc.

- How do small businesses raise money?
  1. Founders' own money
  2. Sell shares to private investors
  3. Take a loan
- How do large corporations raise money?
  1. Issue shares on stock market
  2. Issue bonds
  3. Take a loan
- How do companies pay back?



# Example, Apple Inc.

- How do small businesses raise money?
  1. Founders' own money
  2. Sell shares to private investors
  3. Take a loan
- How do large corporations raise money?
  1. Issue shares on stock market
  2. Issue bonds
  3. Take a loan
- How do companies pay back?
  1. Dividend for stocks
  2. Interest or repayment for bonds





# Financial markets

- Every market has,



# Financial markets

- Every market has,
  1. Products



# Financial markets

- Every market has,
  1. Products
  2. Sellers (get money, give product)



# Financial markets

- Every market has,
  1. Products
  2. Sellers (get money, give product)
  3. Buyers (give money, get product)



# Financial markets

In financial markets,



# Financial markets

In financial markets,

## 1. Products

- (Financial) **securities**, financial assets traded in public markets



# Financial markets

In financial markets,

## 1. Products

- (Financial) **securities**, financial assets traded in public markets
  - Stocks (equity, shares), rights to a share of future profits
  - Bonds, rights to repayment plus interest



# Financial markets

In financial markets,

## 1. Products

- (Financial) **securities**, financial assets traded in public markets
  - Stocks (equity, shares), rights to a share of future profits
  - Bonds, rights to repayment plus interest

## 2. Sellers (get money, give product)

- Corporations
- Other investors





# Financial markets

In financial markets,

## 1. Products

- (Financial) **securities**, financial assets traded in public markets
  - Stocks (equity, shares), rights to a share of future profits
  - Bonds, rights to repayment plus interest

## 2. Sellers (get money, give product)

- Corporations
- Other investors

## 3. Buyers (give money, get product)

- Investors



# Types of financial markets

- Primary Market,
  - Products, New securities
  - Sellers, Corporations (e.g., Apple)
  - Buyers, Initial investors (e.g., IPO investors)

## Initial Public Offering (IPO)

[,ī-(,)pē-ō]



The process of offering shares of a private corporation to the public in a new stock issuance for the first time.

 Investopedia

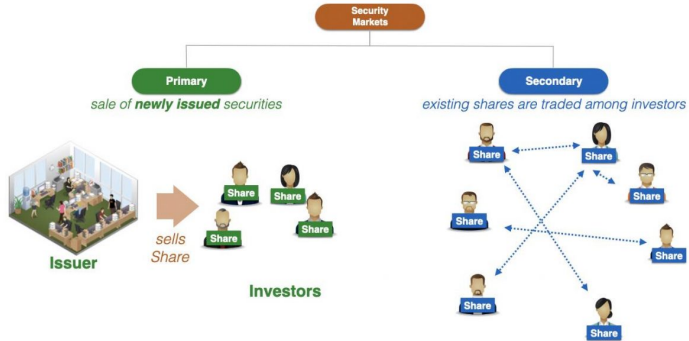
# Types of financial markets

- Primary Market,
  - Products, New securities
  - Sellers, Corporations (e.g., Apple)
  - Buyers, Initial investors (e.g., IPO investors)
- Secondary Market,
  - Products, Previously sold securities
  - Sellers, Investors
  - Buyers, Other investors (e.g., you and me)



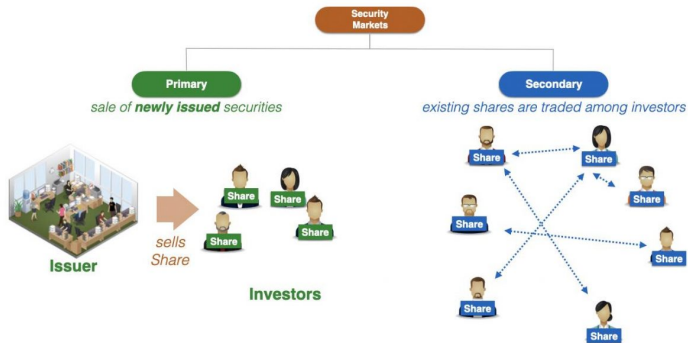
# Types of financial markets

- **Key difference**, Does the firm get the money?



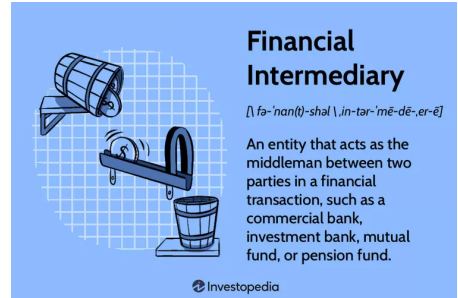
# Types of financial markets

- **Key difference**, Does the firm get the money?
  - Primary, **Yes**. Secondary, **No**.



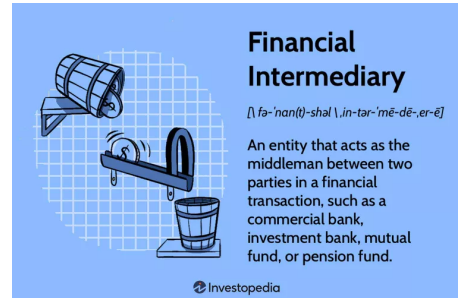
# Financial intermediaries

- **Financial intermediary**, an institution that raises money from investors and provides financing for individuals, companies, and other organizations



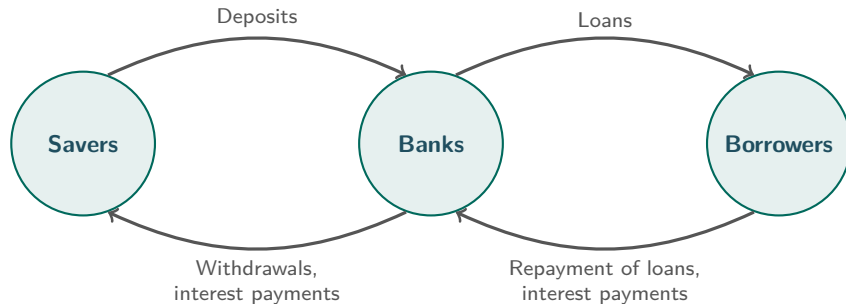
# Financial intermediaries

- **Financial intermediary**, an institution that raises money from investors and provides financing for individuals, companies, and other organizations
- Examples,
  - (Commercial) banks
  - Investment banks
  - Mutual funds, pension funds, hedge funds



# Financial intermediaries

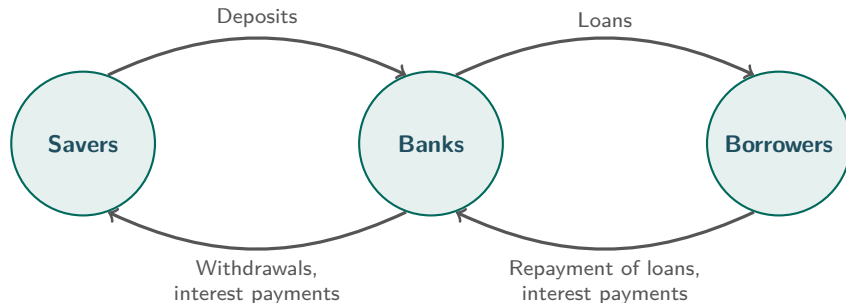
- **Commercial banks**, intermediaries that take deposits from savers and lend to borrowers





# Financial intermediaries

- **Commercial banks**, intermediaries that take deposits from savers and lend to borrowers
- Banks reduce frictions, savers do not need to find, screen, and monitor borrowers themselves



# Financial intermediaries

- **Investment banks**, intermediaries that help firms raise financing. They,



# Financial intermediaries

- **Investment banks**, intermediaries that help firms raise financing. They,
  - Underwrite security issuances (IPOs, bonds)
    - **Underwrite**, buy the new securities from the firm and resell them to investors, bearing the risk of the sale



# Financial intermediaries

- **Investment banks**, intermediaries that help firms raise financing. They,
  - Underwrite security issuances (IPOs, bonds)
    - **Underwrite**, buy the new securities from the firm and resell them to investors, bearing the risk of the sale
  - Advise on mergers and acquisitions



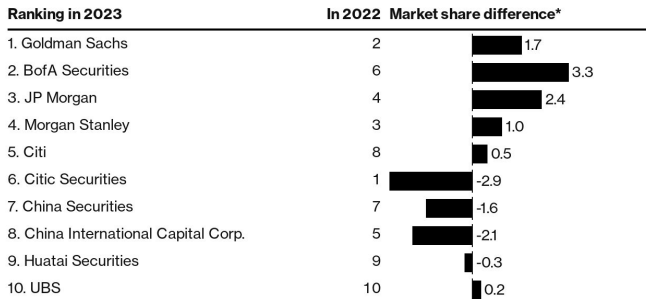
# Financial intermediaries

- **Investment banks**, intermediaries that help firms raise financing. They,
  - Underwrite security issuances (IPOs, bonds)
    - **Underwrite**, buy the new securities from the firm and resell them to investors, bearing the risk of the sale
  - Advise on mergers and acquisitions
  - Sometimes invest their own money in ventures



# Financial intermediaries

## Top Equity & Equity-Linked Underwriters Worldwide



Source: Bloomberg

\*Year-on-year change in market share in percentage points. As of Dec. 13

Bloomberg

- Global IPO “league table”

# Financial intermediaries

- **Mutual fund**, pools money from many investors and invests it in a diversified portfolio of stocks and bonds



# Financial intermediaries

- **Mutual fund**, pools money from many investors and invests it in a diversified portfolio of stocks and bonds
- Even a small investment buys a slice of hundreds of securities at once





# Financial intermediaries

- **Mutual fund**, pools money from many investors and invests it in a diversified portfolio of stocks and bonds
- Even a small investment buys a slice of hundreds of securities at once
- **Active** funds, managers pick securities to try to beat the market, higher fees
- **Passive (index)** funds, simply track a market index such as the S&P 500, low fees



# Financial intermediaries

- **Hedge fund**, a lightly regulated private investment pool, open only to wealthy and institutional investors, that pursues speculative strategies



CNBC, July 30, 2026 (2:56), “Leopold Aschenbrenner’s Situational Awareness sells entire book of public investments”

# Financial intermediaries

- **Hedge fund**, a lightly regulated private investment pool, open only to wealthy and institutional investors, that pursues speculative strategies
  - E.g., leverage (borrowing money to invest), short selling (betting that prices will fall), and concentrated bets on a few positions



CNBC, July 30, 2026 (2:56), “[Leopold Aschenbrenner’s Situational Awareness sells entire book of public investments](#)”

# Financial intermediaries

- **Pension fund**, a fund an employer sets up to invest and pay out its employees' retirement savings

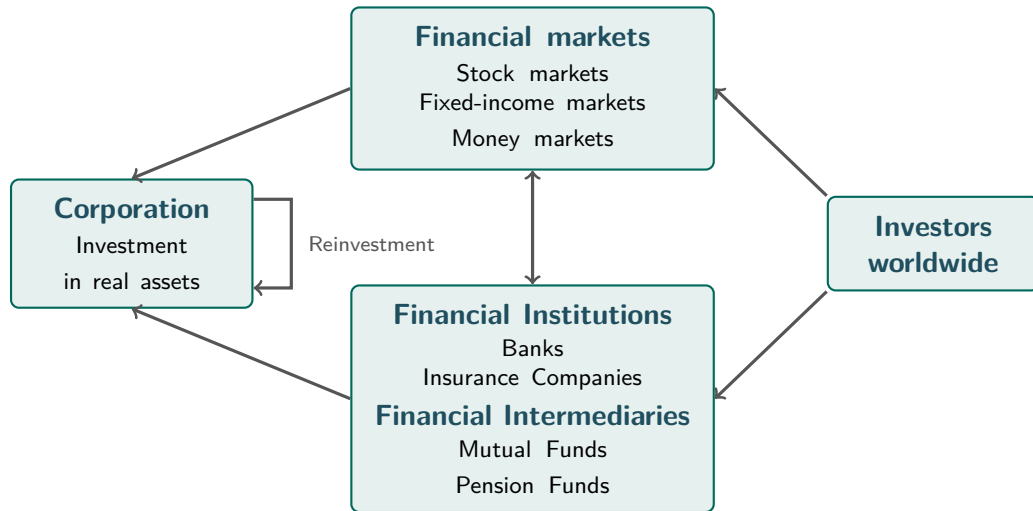


# Financial intermediaries

- **Pension fund**, a fund an employer sets up to invest and pay out its employees' retirement savings
  - E.g., CalPERS, which invests retirement savings for California public employees, is the largest public pension fund in the U.S.



# Financial markets and intermediaries



# Recap of Module 1

- What is a business?
  - Sole proprietorships, partnerships, and corporations, which differ in ownership vs. control, liabilities, and taxes
- What do businesses want to achieve?
  - Maximize shareholder value, mindful of ethical considerations
- What is financial management?
  - Investment decisions, financing decisions, and solving agency problems
- Where does the money come from?
  - Financial markets (primary and secondary) and financial intermediaries

# Thank you!

Please let me know if you have any questions.