1. Securities (Titoli di Credito)

> **Definition:** Security as financial security is a piece of paper (a document that holds a right).

Securities Characteristics

- **Literalness:** The right is exactly what is written on the security.
- **Independent:** The owner of the security, if he decides to, can make it freely circulate.
  - There can be restrictions: for example, S.P.A.s can decide not to make it circulate (or limit it), and in that case, it's not independent or it's partially independent.
- **Abstract vs Causal:**
  - **Causal relationship:** When you know the reason why a security was issued (the underlying deal is visible).
  - **Abstract relationship:** When you don't know the reason why a security was issued. This is when the security is considered **Abstract**.

How Securities Circulate

1. **Bearer Securities** (*Titoli al portatore*):
   - Can circulate freely **ONLY hand by hand**, like banknotes. Possession equals ownership.
2. **Securities to Order** (*Titoli all'ordine*):
   - They can circulate but not freely like bearer securities.
   - **Endorsement** (*La Girata*): To make them circulate, we must certify the transfer by writing that the document goes from one person to another.
   - *Examples:* Cheques (*Assegni*), Bills of Exchange.
3. **Registered Securities**:
   - Example: When a company emits a bond.
   - To make it circulate, the owner has to ask the company to sell the bond and then **register this activity in a special register** held by the company, which says that now the owner has changed.

Examples of Securities

A. Bill of Exchange (Cambiale)

They are *Securities to Order* and can be of two types:

- **Draft Bill (Cambiale Tratta):** Has three entities.

    - **Drafter:** The person who emits the draft bill.
    - **Draftee:** The person who pays.
    - **Holder:** The person who holds the security itself.
    - *Scenario:* Person A owes money to Person B, and Person B owes money to Person C. They decide to make Person A pay Person C directly.
    - *Note:* This is done with a deadline. They can also have a "warranty" (Aval) which makes the drafter pay if the draftee doesn't.
- **Promissory Note (Pagherò):** Has two entities.
    - **Drafter:** The person who emits the promissory note and promises to pay.
    - **Holder:** The person who holds the final security.
    - *Definition:* A legal document that contains a promise of the drafter to pay at a certain deadline.

> **Note:** Being securities to order, both can be **endorsed** before the deadline to change the final destination by the holders.

B. Cheques (Assegni)

- **Bank Cheque:** This is just like a *Draft Bill* where the bank acts as the Draftee.
- **Banker Cheque (Assegno Circolare):** This is emitted for a specific reason by the bank to the final holder. It usually involves big amounts of money and is very secure because the bank guarantees it.

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2. Financial Statement (Bilancio)

> A set of documents describing the economic and financial health of a company at the end of the fiscal year.

The financial statement follows strict principles.

Documents of the Financial Statement

1. **Balance Sheet:** Describes the financial aspect of the company (Assets vs Liabilities). It is a table.
2. **Income Statement:** Document where we calculate the final result of the fiscal year (Profit or Loss). It is a table.
3. **Supplementary Note:** Here we explain *how* we calculated most of the results in the balance sheet and income statement. It's a "guide" on how to read the tables.
4. **Cashflow report:** Describes the movements of cash (liquidity).

Principles (Art. 2423 Civil Code)

Basic Principles

- **Clear:** It has to follow a common structure described in the law (Art. 2424 for Balance Sheet, 2425 for Income Statement). It must be clear so we can compare different statements.
- **Correct:** It must follow the accountancy principles.
- **True:** It has to represent the reality of the company following the law.

Further Principles (Approfondimenti)

- **Prudence:** Give the right importance to risks.
  - *Explanation:* You must count **losses** even if you only fear they might happen, but you can only count **profits** if you are 100% sure you made them (realized). You don't overestimate your wealth.
- **Continuity (Going Concern):**
  - *Explanation:* When you value the items in the balance sheet, you must assume the company will **continue to work** in the future. You don't value things based on how much you would get if you sold everything today (liquidation).
- **Competence (Accrual Basis):**
  - *Explanation:* You must count financial events in the fiscal year they belong to **economically**, not when the money actually moves.
  - *Example:* If you sell a service in 2024 but get paid in 2025, the revenue belongs to the 2024 statement.
- **Continuity of Assessment Criteria (Consistency):**
  - *Explanation:* You cannot change the way you calculate things from one year to another. If you change the rules every year, you cannot compare the results.