# Principles of Finance:

* **Tuesday, 23 January 2018**
* Sessions 1,2&3 ppt
  + Syllabus included
  + **Why financial systems?**
    - Helps the flow of money
      * Payment
    - Helps to connect
      * Deficit unit
      * Surplus unit
    - Budgeting
      * Valuation
    - Investing
    - Valuing businesses
  + High liquidity investments correlated to time required
  + **Slide 25:** Shows what both parties seek! (three boxes represent possible problems/opportunities) E.G. many investors (private equity) have many small amounts and can deliver big amounts to businesses/borrowers
    - (Household) investors want to invest small amounts -> companies can offer shares to enable small amount investments
  + **Brokers:** intermediaries (i.e. finding and providing a mortgage)
  + **Risk transformation:** grouping small amounts of money into big chunks and investing it -> bigger profit, less risk
  + **Maturity transformation:** requirement of money -> liquidity of banks -> not everybody can withdraw everything! -> people can´t withdraw endless amounts without re-stocking.
  + **Volume transformation:** regulating amounts of money to be spend at a given point in time. ->risk regulation!
  + **Slide 27:** information received from financial intermediaries highly limited -> lack of perfect information driver of loss.
    - Transaction costs: costs implied when making any transaction
    - Problems decrease over time as economies of scale will act
  + DN Capital -> financial system, bc it is a broker, asset transformer and market at once