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“Application of angel capital in the world IT industry”

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Qualification: Industry organization and management

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SABAH

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## Abstract

In general, I have talked about all the processes that are important and important here for both the business planner and the investor. As long as the processes are clear for both parties, there will be no mysterious questions and all steps will be taken correctly.

Investment process - Angels usually negotiate with business partners and tend to invest also , in others, not alone in business partners .Therefore , the data show that the two are connected, this context choose these seemingly different characteristics, for instance: do how angels find opportunities and prefer to invest solely in partnership with other angels or how do they evaluate risks of investments and how try to avoid from this challenge? And how does work investment structure and system?

So , I tried to target these and other problems in angel capital areas , such as reducing of investment risks, role of government, other problems and their solutions and suggestions. Thus, I made efforts to cover this field widely in my dissertation and did my best.

Literature review :

1.1 Essence and content of Angel capital

1.2 Profile of Angel Investors

1.3 Investment process

1.4 Evaluating Possible Investments

2.Methodology:

2.1 Approaches to Strategic vs. Financial Investments

2.2 Collection of information

3. Enterprise value for the investment:

3.1 Break-Even analyses

3.2 Earning per share

3.3 Return on invested capital

4.Application angel capital in world IT industry:

4.1 Problems in angel capital area

4.2 suggestions and solutions

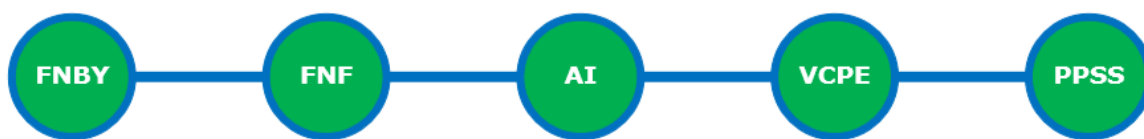
5.Conclusion :

Introduction

## General information about Angel capital

Angel investors, often referred to as ‘Angels’ are the holders of a lot of money and other opportunities, free private investors who desire and have enough value to give chance them to invest part of their advantages, such as money in indefinite areas from the view of risks, high-profit entrepreneurial activities in return for stocks , income and capital gain .

## Five Levels of Equity Capital



- Entrepreneurs (First National Bank of You)
- Friends and Family (*also crowdfunding in future*)
- Angel Investors (Accredited Investors)
- Venture Capital/Private Equity
- Private or Public Stock Offerings

Actually Business Angels do not think about aids and they are motivated to help entrepreneurs in their start-up initiatives, but they want gain again all invests. Nevertheless , young entrepreneurs, who are highly echoed and willing to give back, know that their capability to assist more entrepreneurs that depends on their outcomes, so every investment must be addressed with the goal of achieving a meticulous and good profit

Great Angel investments are more tend to extremely more risks because this usually promises more profit. From this point , they ask for a lot of return on invested capital. Just because a large part of angel investments are missed when early step organizations fall, Experienced angel investors search for investments which have more chance to return minimum five or more times their beginning investment within several years, by means of a prepared exit policy, for example, scheme for an primary public offering. Present 'best experiences' proposes that angels could do better agreements, vision their even higher, searching for firms which will have minimum the prospective to give a 10x-20x revenue during a three- to eight-year holding interval. After considering the requirement for covering missing investments and a few years holding interval for even the victorious somebody, though, the factual efficient rate of return for a classic felicitous account of angel investments is, in fact, usually as low as 10–20%. When the investor's asking for high yields of return on any defined investment can make angel financing an costly resource of stock , inexpensive resources of capital, for example bank financing, are typically not accessible for most early-stage companies.

### **History of Angel capital**

The application of the word "angel" to a type of investor typically comes from Broadway theatre, in which it would use to report rich individuals who supplies money for theatrical manufactures which would or else have had to fail. In 1979, William Wetzel, then a professor at the University of New Hampshire and director of its Center for Venture Research, finished learning on how entrepreneurs

increased seed capital in the America, and he used to use the word "angel" to show the investors who help them.

Angel investors are often retired enterprises , who may be focused on angel investing for causes which went behind clear money return. Those comprise efforts in a particular business field, making use of previous generations' experience and net on a fewer than full-time base. So, additionally to funds, angel investors can often propose important management counsel and significant contacts. As there are not common exchange making out a list of their shares, private firms seek angel investors in a few ways, including recommends from the investors' reliable sources and other business links; at investor consultation and symposium; and at meetings arranged by groups of angels where firms make to investor in face-to-face meetings.

### **Importance of Angel capital in economy and society**

Angel capital forms the basic core of the economic development of the national economy and it has more important benefits. Several of these benefits are the followings :

- 1.New job vacancies angel capital give opportunity to realize business ideas and foundation of new companies. This means new job vacancies and reducing unemployment
- 2.Realizing business plans angel capital plays the role of investment and provides implementing of new business activity
- 3.Financial development angel capital provides increasing money mass in circulation
- 4.Angel capital helps competition in markets and business ideas

## 1.1 Essence and content of Angel capital

Who are Angel Investors?

- Frequently victorious entrepreneurs or pensioner business people – Active investors supplying monetary fund , experience, and the net– Assist to their district economic system
- Registered investors – SEC term
- Put into activity their own money
- Commonly invest in regional firms with high-growth prospective
- The investment into economic activity which are not.....  
managed by family

What Motivates Angels?

1. Contribute to the enterprises
2. Continue to work – manage company by your experience and skills
3. Acquit to society and university
4. The form of active investing – not just follow the market
5. Net and acquire

Angel Capital Association:

Increasing prosperity of angel investors in the early stage of the organization .  
Providing the biggest trade associations for all the angel investors. Organizing



angel groups with the members over two hundred. Providing registered investors about 10.000. Finding of generous partners .

## **1.2 Profile of Angel investors**

Angel investment are both dangerous and responsible for the risk. The risks are evaluated higher than its real value, just because investors have not enough experience to assess the real value.

Business angels or angel investors describes the rich individuals who helps and promise capital for early stage firms and organizations. As we know individual investors emphasizes the non-public and special way of thinking and behaving characteristics of the capital market. Other term, unofficial investors, is used widely; this term compare the angel investing activity with the more official and quantitative contemplation done by firm capital experts. Using of the term angel is obvious derived apply it is use to show financial supporter for theatrical works, in addition called angels. During history, rich characters (specially aristocratic families) have sponsored and supported new discoveries and companies.

For example: Queen Isabella's financing of Christopher Columbus' travel in 1492 century is a well-known sample (Benjamin and MarguHs [2001]). In the 13th century, the well-known traveler-trader Marco Polo was financed by angel investors as well as. In those days, typically the angel investors took 70% of the profit; the enterpriser 30% (Hirsich and Peters [2002]). In the 19th and 20th centuries, industrial giants - Henry Ford and Alexander Graham Bell were financed by angel investors.

### **1.3 Investment process :**

Deal sourcing: transaction sourcing may be dynamic or reactive. Many petitioners come within members or within their net.

Deal screening: petitioners are naturally centralized and organized by the justinvesting.com software packet. Personal shield may be unofficial and official

Initial feedback/coaching : Firms realizing the early shields will be communicated and can gain some coaching concerning the predictions of investors and how to make leader present the firm.

Company presentations: Elected firms can then be called to take part to the members at a conference, naturally keep once each two months. Usually 5-6 firms take part and reply to members' questions. Merchants then discuss different sides of the firm and prospective relations in a session

Due diligence : according to efforts naturally are done on a official base and involves : a competition analyses, reliability of goods and IP, an evaluating of the firm's system, funds and contracts, a verify of conformity problems and mention verifying on the team

Investment terms and negotiations: If members are yet curious , term schedule need to be determined and the firm valuation discussed. The firm can be asked to take part to the members a recent interval.

Post-investment support :After the investing, financier frequently check, adviser and help the firms with experience and relations. Additionally, the financier frequently work nearly due to the organization to make easier leaving at the suitable time.

(OECD (2011a), summarised from ACA, EBAN and Tech Coast Angel material)

## 1.4 Evaluating Possible Investment

In evaluating a possible investment, the Angel in a co-investment condition, must adjoining it on the next principles:

- The firm is most absolutely will be sold therein 3-7 years. Abroad a boom marketplace, a lot of companies make it to an IPO.
- The entrepreneurship and most of the impartiality business organization group are unlikely to remain with the firm once it is sold to a collective buyer.
- The Angel, in a lot of situations, will not be confused in the daily action of the firm but will take part of guidance and tactical role.
- The Angel may be anticipate to ensure special help in a view of the business where they have profound private practicing

One of the main evaluation problems meet face to face the Angel is if the firm will have a economic or tactical exit. Openly, the fiscal attempt must be able to prove out an whole firm exemplar and be able to persuasively show ability to manufacture considerable growth in income and return. This is in opposite to a tactical attempt that must easily show that it is perfect accession for a big corporation. However there are a lot of characteristics that both these attempts must show, the barrier for the fiscal business is considerable higher.

We can divided it five part:

1. Introduce(thirty Plans every Month) : Organizing Manager prescreens emailed presentments
2. Scanning Group Analysis(five – ten Plans every Month ) : Scanning team ballots that firms to invite to common meeting

3. Common Meeting Introductions (one – three Plans every Month) : organizing Director surveys members for level of funding interest in engaged, recruits effort group, and make easy option of deal guide to begin period sheet discussions

4. Effort & Perion Sheet Discussions (Concerted by Organizing Director) : Deal lead transacts agreement and stock invests

5. Administer Funding : Committee member symbolizes member interests and spy fascinating exit

Aimed at monetary stock to have a severe fortuitous of being prosperous, causing in an IPO or monetary trade transaction, it needs to demonstrate which it can determine the prospective to reach the next set of characteristics:

- Obviously recognizable and accessible consumer with a fascinating need.
- A developing and rising bazaar with important international prospective that is disjointed and where requirement surpasses supply.
- A commercial type with enough walls to entry to defend the commerce over the primary several years.
  - A development tactic that can reach the levels of income and return in 3-7 years to effortlessly continence the ROI required by the Angel.
- A confirmed goods or service that has obvious consumer recognition.
  - A organization group that can show they have the abilities and practice to implement the development plan in the next few years in combining with support from the Angel.
- A healthy exit plan with a great possibility of completing in 3-7 years.
- A set of stockholders and a organization group which want to sell the commercial in 3-7 years and walk away if essential.
  - A prepared strategy for the use of the Angel funds, that is straight forward to pure and calculable goals that in turn care the exit policy.

- A healthy commercial strategy and money circulation that can cope with things going mistaken and can still, in the foulest situation, coming back the primary stock to the Angel.
- A group need to discuss a truthful valuation.

## 2.1 Approaches to Strategic v.s Financial Investments

There are 2 types of funds. Monetary funds generate worth on leaving via a commercial trade auction or an IPO by defining a worth to the coming income making power of the enterprise being realized. Then again, a tactical project generates exit worth, not based on what income it could intrinsically create, but based on what coming revenue could be formed by the consumer abusing the basic resources or skills of the enterprise being attained. These are necessarily dissimilar kinds of companies and the Angel has to guarantee that the business progress practice and the exit preparation line up to the suitable exit.

I frequently challenge Angels with existing funds with a complete choice – what is the greatest plan to formulate your investee commercial for a transaction – build up the income or grow primary possessions and abilities for a tactic sale

### Monetary v.s Tactical Consumer Policies

Characteristic	Monetary Consumer	Tactical Consumer
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Resource of worth to the client	Effectiveness, risk minimization, development prospective.	Risk removal and/ or income prospective in the mixture of the two commerce
worth created by	Growing incomes, dropping risk, future development and showed growth prospective, rollup or alliance chances.	Primary possessions and abilities that the consumer will influence to eliminate a risk or abuse a great income chance.
Added worth created by	Growing present incomes, growing development rate, increasing extra validated growth prospective	Dropping integration time, rising rate of scalability and rapidity of abuse , adding extra tactical possessions and abilities for the consumer to abuse
Consumer	Specific, stock trust, secluded impartiality firm, organization responsibility a roll-up or alliance plan	Great Company that can abuse the tactical possessions and abilities in a great consumer base
Impression of improved effectiveness	Main effect on value.	May be unrelated. Incomes are only needed to guarantee survival previous to a transaction
Size	Any Size	Great achievements may have struggle creating enough fresh incremental

		income
current development	Noteworthy impression on worth	Size must be enough to allow a serious mass stand for prospect abuse. Development itself may not be essential
Development prospective	Noteworthy effect on value	May have no impression on the consumer's prospect
Primary assets and abilities	Must deliver rivalry benefit in the seller's commercial as a unrelated entity.	. Must convey enough great and healthy base for abusing a tactical prospect in the mixture of businesses
Chain planning	New consumer must be capable to run the commercial if the older organization leave.	Key administrator and key workers needed to abuse the prospect must be captured.
Consultants	Commercial broker, expert services company, commercial consultant	Great professional services company, stock banker.
Preparation time	eighteen months to two years	two years or extra
Level of combination	Greatest frequently continues as a single commercial or might be freely integrated bolt on	Differs frequent completely absorbed. Occasionally combined into one part of commercial. Might be left

	achievement. Might give managerial interactions in a consolidation.	as an unrelated object passing goods, IP or procedures to group.
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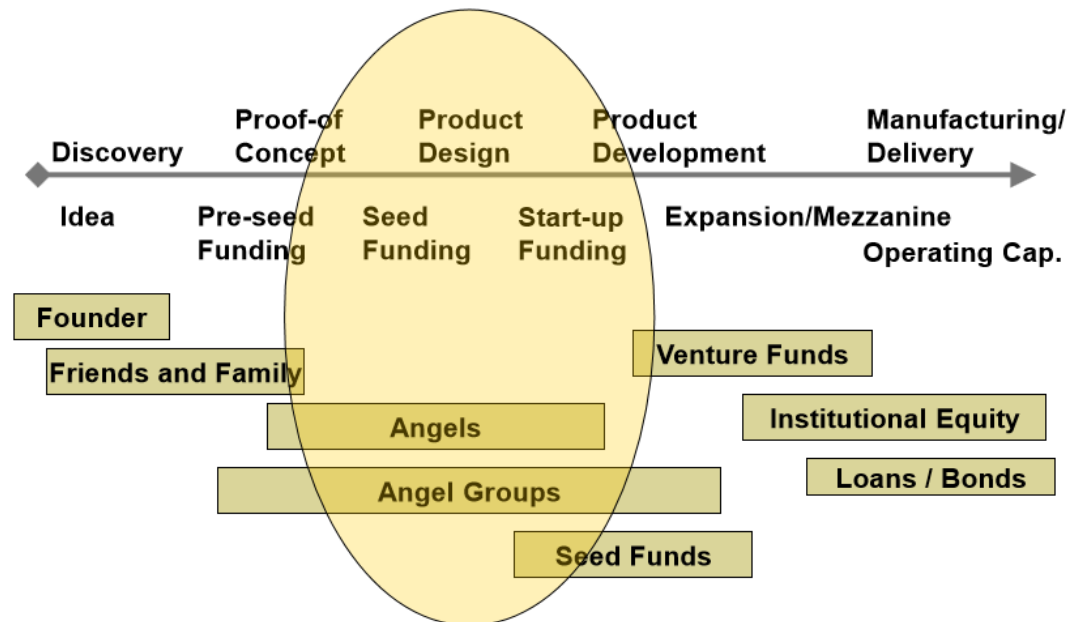
Businesses that sold as an economic transaction are those that offer the consumer with a stand that permits the consumer to generate a creek of coming earnings with the capitals contained in the obtain commerce. While the consumer through the addition of better procedures, organization that is more able and better finance might expand these, the same primary business is causing the income creek. Thus, any achievement assessment will be basis on the clear current worth of those coming incomes. Greatest commerce fall into this kind. Fiscal consumers normally buy wholesale, light industrial, transportation, and material goods and services constructed commerce.

You rise the worth of such commerce by dropping the characteristic risks for the consumer, perfecting the perceptibility and validity of coming incomes predictions, rising on-going effectiveness, construct development into the commerce and discovery methods to create development prospective for the consumer.

In defiance, that commerce that address to tactical consumers have some primary possessions or abilities that a great organization can abuse through the consumer's own association. Small businesses will frequently improve goods or services that can be transport by the winner through their exact great dispensation canals.



## Financing Life Cycle



Angels need to be responsive to these two kinds of risks as it straight affects the assessment of the risk and the mode where the commerce would be advanced for an exit

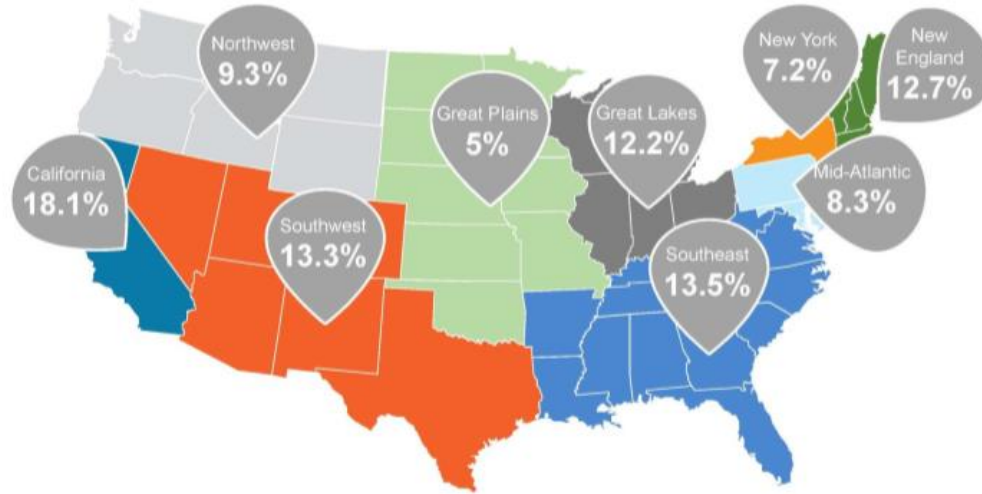
### 2.2 Collection of information

It is important to concentrate on statistical data when you try to search any field. Because, particularly in economics statistics give the best impression about that area. Therefore, if we target angel capital area, we give attention most widely statistics and information in the world. So, I tried to inform about most important statistics on angel capital in different regions of the world in different time interval. These consists of angel capital distribution in different sectors and regions.

## Angel Investment Deals Distributed Nationally

Share of Angel Group Deals by Region 2012

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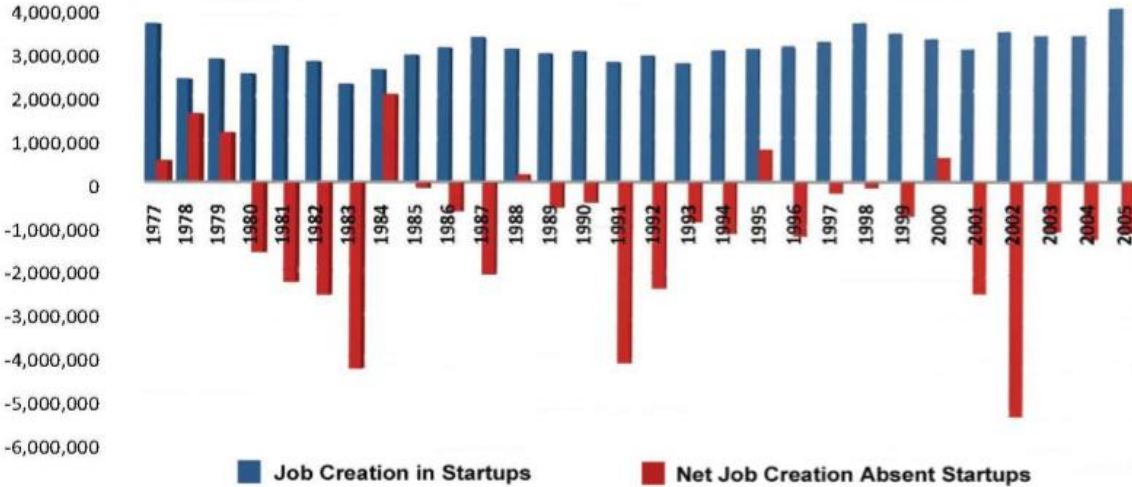


This picture reflects the important statistical information about how distributed angel investments in different regions of America. According to these data, more part of angel investments are distributed in those regions whose has strategic importance. In south-east, east and west (California) regions the shares are greater.

# Startups Create the Most Net Jobs

## ENTREPRENEURS ARE KEY TO JOB CREATION

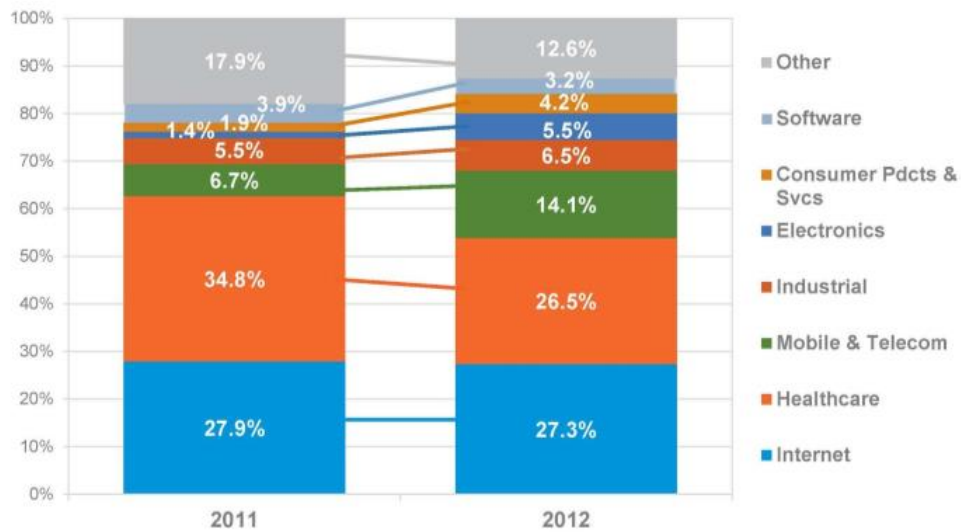
### No Startups, No Job Creation



Source: Business Dynamics Statistics Briefing: Jobs Created from Business Startups in the United States. Kauffman Foundation, January 2009.

These statistics show impression on job creation. From 1977 to 2005 job creation in startups changes between 2500000-4000000 interval, net job creation absent startups changes between -5000000 and 2000000.

## Angel Group Dollars by Sector



These two diagrams describe distribution of angel investments in some sectors in percentage in 2011-2012. For instance, in 2011- healthcare takes the greatest part by 34,8%. In 2012 angel investments in internet takes 27,3 percent.

The interviews showed similar results, where 59% of the interviewees indicated to invest in their country of residence. Regional, European and International investments follow with a quite equal range with 16%, 9% and 13% respectively. Only four interviewees declared that they have invested in the US.

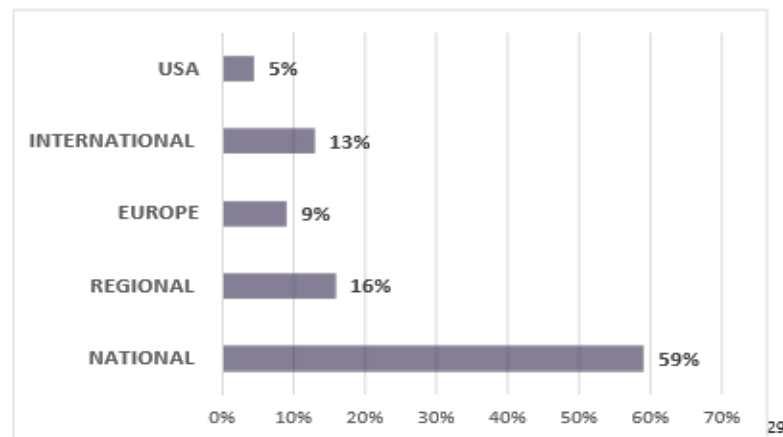


Figure 7: Geographical coverage of business angels' investments - interviews

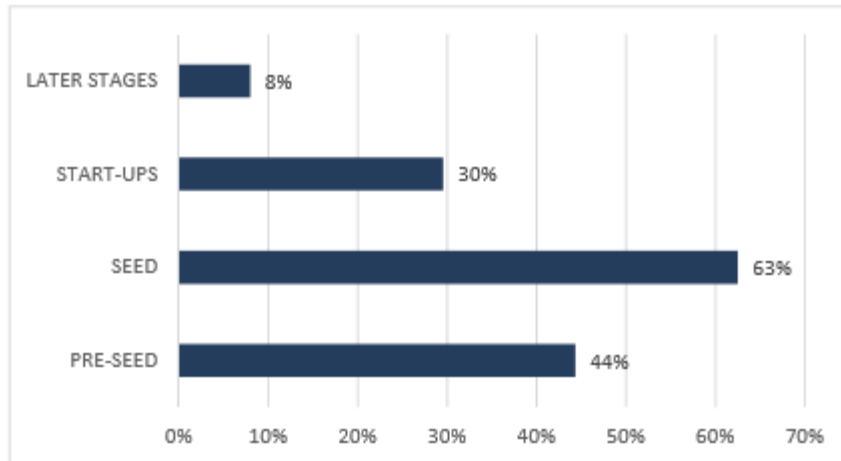


Figure 12: Stage of investment - interviews

This figure help us to understand the shares of investment in different stages in percentages. The greatest part take seed stage as shown in the graphic.

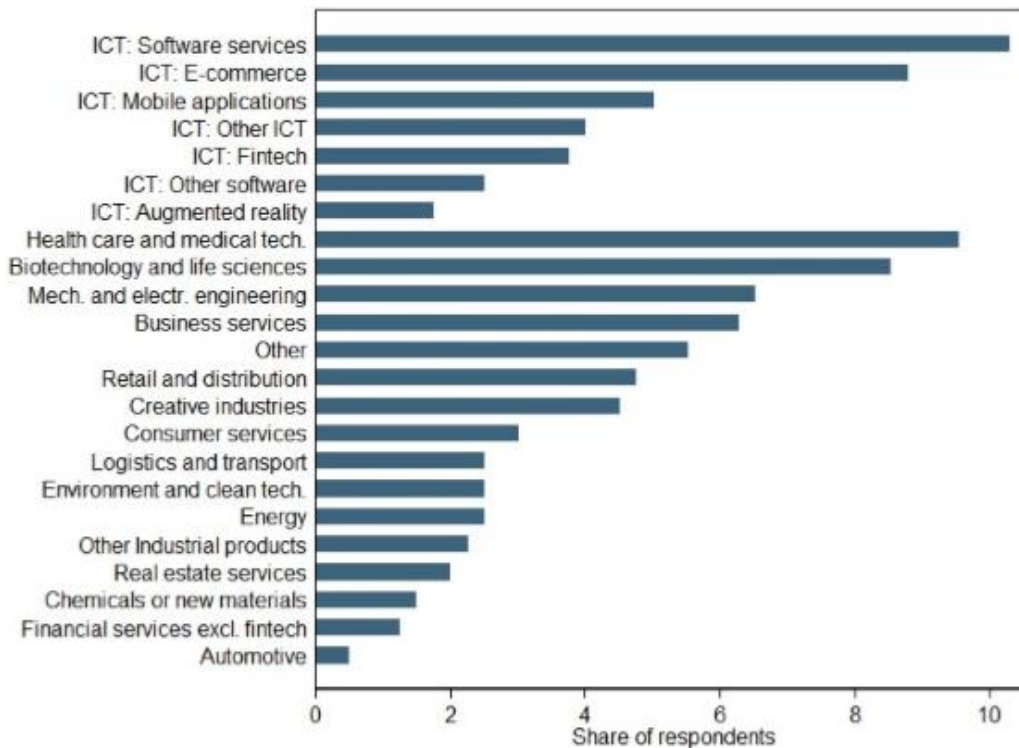


Figure 13: Sector of most recent investment

The image above defines the segment in which the last share of marketable angels answering to the appraisal occurred in more full form. ICT and technology is by far the most overall sector of share, with thirty-six percent of investment taking part in this zone. Among ICT coins, program services, E-trade and net requests cover the major shares of stock.<sup>34</sup> concerning non-ICT services, medicinal services and nanotechnology are the most common shares of stock at independently ten and nine percent of last investments. This is followed by engineering (seven percent), and common market services (six percent). The other is considered for less than five percent of investments distinctly.

### **3. Enterprise value**

What is the Enterprise Value ?

The EV is a amount of a firm's whole worth, frequently used as a more inclusive substitute to impartiality bazaar capitalization. EV is considered as the bazaar capitalization adding debt, smaller percent and favorite stocks, minus whole money and money parallels. EV, which named company worth, is a commercial assessment calculation which reflects the wealth of a corporation by considering its share fee, outstanding cost, and money and parallels in the occasion of a firm trade. it's also a method to evaluate how much a buying firm would compensate to purchase other corporation. Many times this is named the coup fee as it's quantity of cash compulsory to buying hundred per hundred of a corporate and take it over. Impartiality Worth –is the worth of wholly famous parts of the firm. We can estimate this by clearly multiplying the present amount of famous parts by the present stock value. Remember which whole famous parts contains wholly shares.

On the other hand, wholly changeable stocks and choices are involved in this measurement.

Full Debt – is the quantity of cash remaining to the banks, monetary organizations, and creditors. That is a significant factor of EV as a firm which buying other firm presumes full of its cost. So, the cost should be used to reduce the assessed worth of the corporation being bought.

Chosen Share – although favorite share is described in the impartiality segment of the stability page, it does have costs factors. EV treats favored bonds more like debt for this measurement after they often request a immobile share rate. While a corporation buying one more with chosen share, chosen stockholders are frequently recompensed as if, they are creditors and the share is accepted back.

Non-controlled Interest – this is an possession stake of fewer than fifty percent. They can't order the movements of the corporation, but they can frequently keep fit significant impact in its administration. Smaller interest stake is involved in EV.

Money and its parallels – These possessions are the greatest runny a firm can possess. Money involves of wholly money and coinage both in the firm account. Money parallels are very runny properties which are simply and willingly transformed into money similar currency shop resources and reserves currency.

EV = bazaar worth of general stock + market price of chosen equity + market price of cost + pressure interest - money and investments.

The formulation for EV is basically the amount of a the market price of equity and the market price of costs of a corporation, fewer any money. The market capitalization of a firm is considered by multiplying the portion value by the amount of bonds owing. The clear costs are the market price of duty drawback money. A business obtaining additional business becomes to save the money of the target firm, which is why cash needs to be deducted from the firm's price as characterized by market cap. Current 'best practices' offers which angels could do well contracts, vision their even advanced, probing for companies that will have smallest the future to bring a ten and twenty times income through 3- to 8-year holding pause. Later seeing the obligation for covering lost funds and several years property break for even the winning an important person, however, the accurate effective amount of coming back for a characteristic appropriate account of angel funds is, truthy, typically lower as ten and twenty percent. While persons conversate around "investing" in a firm, it's public to think in standings of purchasing equity -- a part of possession, frequently by buying bonds of shares. On the other hand, loaning cash to a firm characterizes investment, also. The thoughts of "capitalized wealth" and "EV" consider account wholly external investment in a corporation, as either equity and duty.

### Invested Capital

though you individual equity in a firm or grasp duty in this firm, you're an depositor. You wait for return for your cash, and this coming back should be enough to pay you for the danger you accept. "Capitalized wealth" characterizes the full quantity of cash presently capitalized in a commerce, unrelatedly of the resource. Capitalized wealth is significant while defining if a firm is creating what the economics manufacturing sounds an "financial income" -- income outside the coming back obligatory by depositors as the cost of consuming their cash. This



varies from the more awarded "bookkeeping income," that is a firm's returns minus its expenditures.

Predicting is the usage of momentous information to define the path of upcoming movements. Trades use predicting to govern how to distribute their funds or strategy for expected expenditures for an future interval of time. that is characteristically founded on the probable request for the things and services they suggest.

Predicting—the graphic arts and knowledge of forecasting coming results—has become a vital ability in commercial and financial investigation. This capacity presents the person who reads the instruments, systems, and procedures of predicting, particularly as they put on to monetary and capitalizing choices. With an importance on "incomes for each share" ,the writer offerings a information-oriented writing on monetary predicting, considering fiscal information, measuring company monetary plans , making effective collections, and hedging bonds collections with fiscal prospects. The introductory sections clarify how to know financial variations and how the stock bazaar chiefs the overall financial tendency; present the notion of collection building and how activities in the market impact stock value activities; and present the person who reads to the predicting procedure, counting exponential flattening and period sequence model assessments.

Consuming information from such companies as Intel, Hitachi, Guerard proves how predicting methods may be practical to recognize the commercial cycle, appraise bazaar dangers, and prove the influence of worldwide stock election demonstrating and collection building.

Stages of Forecasting

Predicting relates to an issue or set of information. Scientists on economics assume about the condition being investigated must be recognized earlier the arguments of the predicting are defined. Founded on the matters defined , an suitable information is elected and used in the operation of data. The information is evaluated, and the predict is defined. Lastly, a confirmation interval happens where the prediction is linked to the real outcomes for create a more precise model for predicting in the coming.

### Predicting Models

Qualifiedly predicting models are beneficial in developed predictions with a incomplete space. These models are extremely dependent on practiced thoughts and are most useful in the little period. Samples of qualified predicting models contain bazaar investigation, elections and reviews which put on the Delphi method. Measurable methods of predicting except expert thoughts and use statistical information founded on measurable info. Measurable predicting models contain period sequence methods, disregarding, investigation of chief and etc.

If you're making an asset collection or watching to capitalize in a deposit, the chances are the initial item you want to recognize is what type of coming backs you're possible to gain.

Predicting investment coming backs isn't as clear as prominent a lone numeral, and coming backs can't be definite. On the other hand recognizing the possibility of each probable consequence and how it has been considered by your speculation director can actually help update your decision-making in certain, the equal of danger you're prepared to take and how extensive you want to capitalize for.

We can make a example collection a limited minutes by electing your speculation aim and timeframe, how much you would like to capitalize, a danger equal from 1 to 10, and how you would like us to lead your cash.

How we analyze predictable revenues

The speculation forecasts we demonstrate are at no time a guaranteed forecaster of upcoming presentation. They are here to bring you situation and help you create choices around the sort of collection which might greatest uniform your speculation aims.

Consuming standardized normal long-term predictable revenues for main asset kinds, we estimate the predictable normal revenues for individually collection and then a blowout of likely results also sideways of which average.

These forecasts are founded on the assessed coming backs for a collection of impartialities and administration bonds, in dissimilar percentages, hinge on your elected danger level. Commonly, the advanced the risk of a collection the better the amount of impartialities – each of the UK and external – and thus a advanced level of predictable coming back.

Predictable revenues from equities

For UK impartialities, we now plan the long-term middling yearly coming back to be 7.8, and for global impartialities, 8.2 percentages.

Predictable revenues from bonds

For bonds, we presently evaluation UK golds will coming back 4.5 percentage over the extensive period, whereas persons growing inside 5 years may be predictable to coming back 3.5 percentage .

Littler adulthood bonds get fewer as they are fewer dangerous. Knowledgeable depositors will identify this variance as the ‘profit curve’, that needs to be a optimistic variance to account for the better danger in property the bonds over the extensive adulthood.

They are standardized coming backs

Stand in attention which these impartiality and bond forecasts are predictable long-term middling standardized coming backs. For example , they wouldn’t be

interpreted as demonstrating which this coming back may be realized in any 1 year.

Information resources for calculations

We usage several 3 festivity information bases to help us estimate the expected coming backs.

Lastly, we usage the Global Financial Account's long-term predictions to intellect patterned our individual opinions around predictable longstanding financial development.

Payments, duty and dividends

We also accept that revenue is put into and that any scheduled helps are kept. The predicted earnings do not contain the affection of duty on our investment revenue, tax on wealth advantages, of changing your danger shape, or of upcoming variations to our investment plan.

It's also significant to think of that investments can drop value as revenue, particularly at what time observed over a little time period, and the investment expedition can create impression quite rough and upsetting if you're not ready for the possible unpredictability. So, long-term projected earnings are unlikely to be constant from time to time.

Keep informed expected revenues

Probable benefit class revenues are long term for their characteristics. Though we don't guess to transform them frequently, we do check in each time to guarantee the guesses keep on truthful.

Risk threatening: As with all investing, your capital is in danger. Previous or coming activity indicators are not a consistent indicator of upcoming presentation.

Predictable coming back is the quantity of return or cost an depositor takes part somebody to it on an investment that has many recognized or predictable rates of coming back. It is designed by multiplying possible results by the likelihoods of them happening and then summing these outcomes. For instance, if an investment has a fifty probability of gaining twenty and a fifty change of losing ten , the expected return is, or five percent.

Probable return is a instrument used to control if or not an investment has a optimistic or bad usual clear result. It's calculated as the predictable worth of an investment given it's probable revenues in changed situations, as shown by the next recipe:

Probable Coming back =  $\text{SUM} (\text{Return} * \text{Probability})$ , in which i specifies each identified coming back and its individual chance in the sequence.

Predictable coming back is usually founded on historic data and is so not definite; it is simply a long-term weighted average of historical coming backs. In the sample overhead, for example, the five percent predicted coming back can never be comprehended in the upcoming, as the asset is integrally subject to methodical and disorganized dangers.

Adding to predicted coming backs, intelligent depositors must too reflect the likelihood of coming back for to better measure danger. Next wholly, one can discovery examples where confident lotteries suggest a optimistic predicted coming back even with the very little possibility of apprehending which coming back.

**Predicted Coming back of a Collection**

The predicted coming back doesn't put on to lone funds. It can too be lengthened to evaluate a collection covering several funds. If the predicted coming back for individually asset is recognized, the collection's general predicted coming back is just a subjective middling of the predicted coming backs of its mechanisms.

## Limits of the Predicted Coming back

It is hazardous to make speculation choices founded on predicted coming backs unaccompanied. Beforehand creation any purchasing choices, depositors must continuously analysis the danger characteristics of speculation occasions to regulate if the funds make parallel with their collection aims. For instance, accept 2 theoretical funds exist. Their yearly routine outcomes for the previous 5 years are:

Realize Predicted Coming back, Variance And Standard Deviation Of A Collection for additional on manipulative and evaluating these numerical measures

Predicted coming back is considered as the weighted middling of the expected incomes of the properties in the collection, weighted by the possible incomes of individually benefit class. Predicted coming back is considered by consuming the next formulation:

Written extra method, the similar formulation is as trails:  $E(R) = w_1R_1 + w_2R_2 + \dots + w_nR_n$

Predicted coming back is by no means a sure amount of coming back. Though, it may be used to prediction the upcoming worth of a collection, and it too offers a leader from that to degree real coming backs.

Today, let's figure on our information of predicted coming backs with the notion of variance.

## Variance

Variance is a degree of the spreading of a set of information opinions about their mean worth another way, variance is a scientific hope of the average formed deviations from the mean. It is figured by discovery the probability-weighted normal of squared deviations from the predicted worth. Variance events the inconsistency from a normal. Instability is a amount of danger, so this statistic

might help regulate the danger an depositor might take on while buying a detailed sanctuary.

### Portfolio Variance

Nowadays which we have gone over a clear instance of how to estimate variance, let's look at collection modification.

The variance of a collection's coming back is a meaning of the variance of the element possessions as well as the covariance among apiece of them. Covariance is a degree of the mark to that coming backs on 2 dangerous possessions passage in cycle. A optimistic covariance means which benefit coming backs transfer collected. A damaging covariance means coming backs transfer contrarywise. Covariance is meticulously connected to "correlation," in which the variance among the 2 is which the last reasons in the standard deviation.

Contemporary collection model declares which collection variance can be condensed by selecting benefit courses with a little or negative covariance, sfor instance pillories and bonds. This kind of modification is used to decrease danger.

Collection variance appearances at the covariance or correlation constant for the bonds in the collection. Collection variance is considered by growing the +squared heaviness of individually bonds by its conforming variance and totaling 2 periods the biased normal weight grown by the covariance of wholly discrete bond couples. Therefore, we come to be the next formulation to estimate collection variance in a clear 2 asset collection:

$$\begin{aligned} &(\text{weight}(1)^2 * \text{variance}(1) \quad + \quad \text{weight}(2)^2 * \text{variance}(2) \quad + \\ &2 * \text{weight}(1) * \text{weight}(2) * \text{covariance}(1,2) \end{aligned}$$

Here is the formula stated another way:

$$\text{Portfolio Variance} = w_A^2 * \sigma^2(RA) + w_B^2 * \sigma^2(RB) + 2 * (w_A) * (w_B) * \text{Cov}(RA, RB)$$

Where:  $w_A$  and  $w_B$  are portfolio weights,  $\sigma^2(RA)$  and  $\sigma^2(RB)$  are variances and

$\text{Cov}(R_A, R_B)$  is the covariance

### Standard Deviation

1. A amount of the spreading of a set of information from its mean. The extra feast separately the information, the advanced the deviation. Standard deviation is considered as the rectangular basis of variance.

2. In economics, standard deviation is practical to the yearly degree of coming back of an speculation to amount the speculation's volatility

A great dispersal says us how much the account's coming back is differing from the predicted standard coming backs.

Standard deviation ( $\sigma$ ) is create by taking the four-sided basis of variance:.

We used a 2 benefit collection to demonstrate this attitude, nonetheless greatest collections cover far extra than 2 possessions. The formulation for variance converts extra complex for a lot of benefit collections. Wholly relations in a covariance matrix essential to be extra to the scheming.

### **3.1 Break-Even analyses**

Break-even fact analysis is a dimension structure which estimates the boundary of bonds by associating the quantity of incomes or parts which must be traded to shelter fixed and variable expenses connected with creation the sales. On the other hand, it's a method to calculate in which a plan will be gainful by associating its whole incomes with its whole expenditures. There are numerous dissimilar usages



for the calculation, nonetheless wholly of them contract with administrative accounting and cost managing.

The key item to recognize in managerial accounting is the variance among incomes and revenues. Not wholly incomes outcome in revenues for the firm. Several goods cost extra to make than the incomes they create. Then the expenditures are better than the incomes, these goods great a damage—not a revenue.

The aims of the break-even analysis formulation is to estimate the quantity of trades which parallels incomes to costs and the quantity of additional incomes, likewise recognized as returns, later the fixed and variable costs are saw. There are several ways to usage this notion. Let's appearance at several of them too an instance of how to estimate break-even point.

## Formula

The break-even point formula is calculated by dividing the total fixed costs of production by the price per unit less the variable costs to produce the product.

$$\text{Break Even Point in Units} = \frac{\text{Fixed Costs}}{\text{Sales Price per Unit} - \text{Variable Cost per Unit}}$$

Since the price per unit minus the variable costs of product is the definition of the **contribution margin per unit**, you can simply rephrase the equation by dividing the fixed costs by the contribution margin.

$$\text{Break Even Point in Units} = \frac{\text{Fixed Costs}}{\text{Contribution Margin per Unit}}$$

### Analysis

As you can understand there are several changed behaviors to practice this notion. Manufacture directors and administrators have to be deeply mindful of their level

of auctions and how near they are for covering fixed and variable costs. That's why they always attempt to transformation fundamentals in the recipes decrease the amount of parts need to produce and rise profitability.

For example, if administration definite to rise the price of the sofas in our sample by fifty dollars, it would have a severe influence on the quantity of elements obligatory to trade beforehand profitability. They can also differentiate the variable costs for every unit by addition more mechanization to the manufacturing processes. Lesser variable costs parallel to bigger incomes for each part and decrease the whole amount which must be manufactured. Contract out can reconstruct the fee construction.

It's too significant to remember which all of these copies show non-cash cost like devaluation. An extra progressive break-even analysis computer would deduct out non-cash costs from the fixed costs to calculate the break-even point money currency.

It does not make logic to discovery the breakeven point consuming a firm's repayment interval. A corporation's repayment interval is calculated with the amount of intervals needed to returns back a primary speculation with optimistic clear revenue, though a firm's breakeven point is worried with the definite interval where its income will be equivalent full expenses and its clear revenue will be 0.

### The Payback Period

A concern's repayment interval, while doesn't interested around a definite accounting interval and as an alternative emphases on the amount of accounting interval needed to recompense a primary investment. This makes it tough to usage a firm's repayment interval to compute or bargain its breakeven point.

So, it would not make impression to usage repayment interval to discovery a firm's breakeven point, since together calculated discrete possessions.

### Purpose

The core aim of break-even investigation is to define the lowest output which must be surpassed for a commercial to income. It too is a bluff measure of the incomes influence of a marketing movement. A company can investigate perfect production levels to be well-informed on the quantity of trade and income which would see and exceed the break-even point. If a commerce doesn't answer to that level, it frequently grow into hard to last process.

The break-even point is simpler, up till now least-used diagnostic instruments. Recognizing a break-even point aids offer an active opinion of the associations among trades, costs, and incomes. For instance, stating break-even trades as a ratio of real trade can aid administrators recognize when to predict to break even.

The break-even point is a distinct case of Goal Revenue trades, where Goal Revenue is 0. That is very significant for fiscal investigation. Slightly trades made former the breakeven point can be well-thought-out income

Break-even analysis can too offer information which might be beneficial to the marketing section of a commerce too it offers monetary objectives which the commerce can permit on to sellers so they can effort to rise auctions.

Break-even analysis can also aid industries see somewhere they could re-structure or cut decrease for best outcomes. This may aid the commerce to develop extra real and attain advanced coming backs. In several cases, if an commercial scheme is looking for to get off of the crushed and go into a bazaar it is counselled that they

express a break-even investigation to propose to probable monetary backers which the commerce has the probable to be viable and in which points.

Break-even investigation is a beneficial instrument to reflecting the connection among fixed costs, variable costs and coming backs for investment choices. A break-even point describes while an investment will produce an optimistic coming back and can be defined.

In graphs or with just simpler math. Breakeven investigation calculates the capacity of manufacturing at a certain price essential to meet full expenditures. Break-even price study calculates the price essential at a certain level of manufacture to sum full expenses. To clarify how break-even investigation, go on, it is essential to describe the expenditure matters.

Fixed Costs, experienced after the choice to come into a commercial movement is completed, are not in a straight line linked to the level of manufacture. Fixed costs consist of, but are not restricted to, decrease on kit, interest expenses obligations and overall above costs. Total fixed costs are the amount of the fixed costs. Variable Costs modification in straight forward relative to capacity of production. They can involve cost of things traded or manufacture expenditures such as work and supremacy costs, food, oil expenditures and extra expenditures straight connected to the manufacture of a product or investment in a money benefit. Full variable costs are the amount of the variable costs for the quantified level of manufacture or production. Normal variable costs are the variable costs each part of output or of Total variable cost separated by pieces of output. Break-even analysis is greatest beneficial when used with limited accounting or money accounting procedure The main advantage to consuming break-even analysis is which it shows the bottom quantity of commercial movement essential to avoid wounded.

### 3.2 Earning per share

EPS, too named clear revenue each stake, is a bazaar view ratio which events the quantity of clear revenue gotten each part of stock remaining. On the other hand, that is the quantity of cash each part of stock would obtain if wholly of the incomes were circulated to the remaining dividends at the finish of the year.

EPS is too a scheming which demonstrations how gainful a firm is on a stakeholder foundation. Therefore, a greater firm's incomes each part may be linked to lesser firm's profits each share. Clearly, this scheming is deeply inclined on how several stocks are outstanding. Consequently, a greater firm will must fragmented its earning between several extra shares of stock associated to a smaller firm.

## Formula

Earnings per share or basic earnings per share is calculated by subtracting preferred dividends from net income and dividing by the weighted average common shares outstanding. The earnings per share formula looks like this.

$$\text{Earnings Per Share} = \frac{\text{Net Income - Preferred Dividends}}{\text{Weighted Average Common Shares Outstanding}}$$

You will advertise which the chosen dividends are unconcerned from net income in the earnings per share scheming. That is for Earning Per Share lone procedures the revenue accessible to public shareholders. Favored dividends are set-aside for the favored stockholders and may't go to the public stockholders.

Greatest of the period EPS is considered for end of year monetary declarations. Later firms frequently problem novel stock and purchase back capital stock during the year, the prejudiced normal public shares are usage in the scheming. The prejudiced normal public shares remaining is can be basic by addition the start and ending remaining shares and dividing by 2.

### Analysis

EPS is the similar as any effectiveness or bazaar prospect ratio. Advanced EPS is continuously improved than a lower ratio as that means the corporation is additional gainful and the firm has extra incomes to allocate to its stockholders.

Though several depositors don't pay plentiful care to the Earning Per Share, a advanced EPS ratio frequently makes the stock price of a firm increase. Later thus several possessions can operate that ratio, depositors have a tendency to appearance at it nonetheless don't let it impact their choices radically.

EPS is an significant monetary measure, that shows the effectiveness of a firm. It is considered by isolating the firm's clear revenue with its full amount of magnificent stocks. It is a instrument which bazaar members usage often to instrument the effectiveness of a firm before purchasing its stocks.

Explanation: Earning Per Share is the percentage of a firm's income which is assigned to all specific part of the stock. It is a term which is of plentiful reputation to depositors and persons who sale in the stock bazaar. The advanced the EPS of a firm, the improved is its effectiveness. Whereas estimate the Earning Per Share, it is sensible to usage the prejudiced ratio, as the amount of stocks magnificent can shift ended period.

EPS may be considered in 2 ways:

- 1) EPS:  $\text{Net Income later Tax} / \text{Full Amount of Outstanding Stocks}$
- 2) calculated EPS:  $(\text{Clear Revenue later Tax} - \text{Full Dividends}) / \text{Full Amount of Outstanding Stocks}$

An extra diluted form of the ratio too involves exchangeable stocks as well as licenses below outstanding stocks. It is a extra extended form of the uncomplicated EPS ratio.

Aimed at an depositor who is initially attentive in a stable basis of revenue, the Earning Per Share ratio may be say her the room a firm has aimed at growing its current dividend. Though, Earning Per Share is very significant and vital instrument for depositors, it must not be observed at in separation. Earning Per Share of a firm would always be measured in relative to additional firms for to make a extra knowledgeable and sensible investment choice.

It is one of the main central metrics depositors do while effort to control how many to recompense for a share. For instance, I use diluted Earnings Per Share as the denominator while measuring the price to pays proportion. I too pay care to the progress rate of weak Earnings Per Share and am usually ready to pay a more Per Earnings ratio for quicker progress. Though you will realize quantitation's to the extra payout ratio it is so fast and cloudy shortcut and most depositors I recognize will search for money movement metrics to instrument the sustainability of a surplus.

In conclusion, remember that depositors make plenty of modifications and Earning Per Share is scarcely used at wholly for many kinds of corporations. For instance, depositors will typically increase back non-recurring costs to become a cleaner run rate Earnings Per Share number on what to base their assessment. And on the additional opinion, nobody uses Earnings Per Share while examining a REIT, volume worth per part is more generally used for banks and assurance, and EBITDA or its variations are public for telecoms or other commerce with weighty decrease loads.

## Earnings Per Share

To compare the incomes of diverse firms, depositors and predictors frequently use the ratio EPS. To compute EPS you take the pays left over for stockholders and division by the quantity of bonds remaining. You consider Earnings Per Share as a per-capita method of telling incomes. As each corporation has a changed quantity of stocks possessed by the community, in compare with just firms' pays statistics does not specify how many cash every firm made for every of its stocks, thus we need Earnings Per Share to make legal collation.

## Earnings Season

Earnings season is Wall Street's comparable to a school statement postcard. It occurs 4 periods each year; openly traded firms in the U.S. are obligatory by law to account their monetary outcomes on a four times a year foundation. Greatest firms follow the almanack year aimed at journalism, nonetheless they do take the choice of writing founded on their own financial almanacks.

Though it is significant to think of which depositors search wholly monetary outcomes, you might have predicted that EPs is the greatest significant amount released throughout earnings season, fascinating the greatest care and television attention. Beforehand earnings information appears, stock forecasters problem earnings evaluations - what they reflect earnings will arrive at. These predictions are then accumulated by investigation companies into the "agreement earnings approximation".

When a corporation strokes this evaluation it's named an earnings astonishment, and the stock typically changes advanced. If a firm publications earnings under



these evaluations it is supposed to fail, and the value characteristically transfers lesser. Wholly that makes it tough to effort to deduction how a stock will change throughout earnings season: it is wholly around potentials.

### Why Do Depositors Maintenance Around Earnings?

Depositors attention around earnings as they eventually determination stock values. Strong earnings commonly outcome in the stock value affecting up. Occasionally a corporation with a improving stock value might not be creation plentiful cash, but the increasing value means which depositors are hopeful that the firm will be gainful in the coming - there are no sure which the firm will achieve depositors' present potentials.

The dotcom successful and bust is a faultless instance of firm earnings impending in meaningfully little of the statistics depositor's imaginary. When the successful happening, everyone grown enthusiastic around the forecasts for any firm included in the net, and stock values flown. Over period, it turns into clear which the dotcoms weren't working to make closely as plentiful cash as several needed forecasts. It only wasn't imaginable for the bazaar to sustenance these firms' tall assessments unescorted by any earnings; as a outcome, the stock values of those corporations distorted.

When a firm is creation cash it has 2 choices. Initial, it may advance its goods and grow novel ones. Additional, it may license the cash onto stockholders in the form of a payment or a stake buyback. It is that example! In the initial event, you belief the organization to re-invest incomes in the expectation of making extra incomes. In the additional case, you become your cash correct missing. Characteristically, minor corporation's effort to make stockholder worth by put into incomes, though

extra developed corporations pay out payments. Neither way is essentially improved, but mutually rely on the similar impression: in the lengthy route, earnings offer a coming back on stockholders' investments.

EPS is significant to depositors as it breaks down a firm's incomes on a per-share foundation, that is specially beneficial for following presentation over lengthy period stages. Over period, a corporation's full amount of outstanding stocks may modification meaningfully, so the full earnings cannot be suggestive of advanced effectiveness for stockholders.

Earning Per Share is too used in some evaluation metrics, chiefly the price-to-earnings ratio, that is perhaps the greatest extensively used method to associate stores' assessments. By separating the present part value by the earnings each stake, we may grow a foundation aimed at associating the firm to either its individual ancient estimation, or to extra firms in the similar manufacturing, for to calculate whether it is exclusive or impartially valued.

### **3.3 Return on invested capital**

Return on capitalized wealth is a monetary ratio which estimates how profitably a firm capitalizes the cash it takes from its stockholders. On the other hand, it calculates a firm's organization presentation by observing at how it usages the cash stockholders and bondholders capitalize in the firm to engender extra incomes.

Mutually depositors and firm organization usage that formulation to calculate how well the firm is organized and how professionally its money is used. Depositors are chiefly concerned in that ratio for it demonstrations how positive organization is at usages stockholders funds to make extra incomes for the firm. They want to

measure a coming back on their investment and recognize how plentiful cash the firm will make on each dollar which they capitalize in the firm.

What is ROIC?

Remember this quantity don't reflect the act of separate possessions. It just, computes the general coming backs on capital that stockholders have place into the commerce.

Depositors are using Return On Invested Capital to compare firms across productions and express which corporation and administration squad is best at making revenues from proprietors' deposits.

Investigation

Meanwhile Return On Invested Capital measures the coming backs a firm receives as a percentage of the cash stockholders invest in the commerce, a higher coming back is constantly better than lesser coming backs. So, a higher ROIC is continually chosen to a minor one.

More ratio shows this administration does effective activities to running the corporation and capitalizing the cash from the stockholders. The revenues can originate from any portion of the commerce.

This equation doesn't separate among separate reserves or commerce parts. In its place, it appearances at the commerce as a full and norms wholly events together in the clear revenue symbol. There's no method to express which funds are making the greatest cash aimed at the stockholders and which ones are really down cash consuming this calculation.

For instance, organization may choose to capitalize in extra firm similar how Microsoft bought LinkedIn. Organization may too capitalize cash from stockholders into paraphernalia and equipment to rise manufacture size or go in into a novel bazaar.

Coming back on money , or coming back on capitalized money , is a ratio used in economics, assessment and bookkeeping, as a calculation of the effectiveness and value-creating probable of firms later taking into explanation the quantity of primary money capitalized.

Coming back on Capitalized Money is a calculate of monetary presentation expressed as a proportion which is so beneficial metric for evaluating how plentiful income a firm is producing for each dollar which is capitalized in it. Once collate to only search a firm's income margin, it brings you a improved depiction of how professionally a firm is consuming the money which has been capitalized in it to create profits. That is of progression significant to a little probable investor who is seeing capitalizing in an association.

The overall formulation for scheming ROIC is:

$$\text{ROIC} = \text{Clear Profits later Tax} \div \text{Capitalized Money}$$

The necessity of searching a firm's year completed year ROIC differs dependent on the kind of firm in attention, as is the occasion with several extra effectiveness metrics. For manufacturing which related with make great money funds, such as Oil & Gas, Industrial, and even great trade manacles, scheming ROIC is specially educational.

For rise incomes, a firm have to capitalize in its size to manufacture things and services. That can be purchasing inventory, construction a novel factory or put in novel servers. Aimed at each dollar which is consumed on these funds, an extra level of incomes may be predicted in the upcoming

Coming back on Money Capitalized Capital is greatest exactly a productivity ratio. That ratio aids one recognize how the company is consuming its capitalized money i.e. impartiality and duty to create income at the finish of the daytime.

The cause that ratio is a very significant for depositors beforehand investment is as that ratio brings them an knowledge around that firm to capitalize into.

Though scheming that ratio, one item you requirement to think of is which whether you are captivating the essential profits of the commerce as a calculating network

As a commerce or as an depositor, doubt you want to estimate that ratio, the initial item you requirement to take into explanation is Clear Profits. That Clear Profits would be impending from the core procedures of commerce. This means Improvements from extraneous money transactions or Improvements from extra money transactions shouldn't be involved in Clear Profits. Today the main request is , the benefits related with the application of IT are realized at which fee ? Has the company gives too plentiful or also tiny as collated to other participants in the arena? That is so important data to recognize, as that will choose the capability of the company. The character of the welfares may be short-term monetary revenues, or period tactical placing, or bazaar segment. An additional and overall dissimilar test recognizes exactly how the company's tactical location is influenced by the IT speculation. Several companies identify that it can be essential to receive a little fiscal coming back on speculation for primary several years for begin a bazaar leading tactical situation.

The Correct Decision:

The main problem, which chooses the achievement of investment in IT, dishonesties on the detail, whether the company has made the correct decision concerning buying of mainframe technologies, programs, cable and latter but not the smallest the human sources from the several provision bazaars. Additional fact is, does the company have the ability to success the commerce's tactical aims?

It is clear which if unfortunate selections are decided, there would be very little coming back on the IT collection.<sup>4</sup> Correct selections commonly mean existence reliable, outlay effective, extendable, and tolerable. But correct selections too propose which the substructure have to support the tactical commerce benefits of the company. The test in linking these problems what is there are no easy quantifiable calculates of correct selections.

#### **4.Application angel capital in world IT industry**

Out of dissimilar sort of techs, the Data Tech is the greatest significant one, that is existence commonly used in dissimilar arenas of businesses. That is too the wildest shifting and increasing tech of the daytime. The Information Technology that is newest and greatest appropriate to-day, will turn out to be overall outdated and unconnected tomorrow, quickly additional advanced form of the similar comes to the bazaar. Capitalizing in Information Technology As we take seen which Information Technology is a fast shifting tech, it turn into so hard task aimed at the strategy creators of an association to choose around the investment in Information Technology. There may be 2 potentials:

(i) Beforehand capitalizing in Information Tech, expect the novel improved form to be launched in the bazaar, which also at plentiful inexpensive value than the current one. Also a choice is reached concerning investment in Information Tech a additional innovative form of Information Tech starts bumping at the entrance. Therefore, additional rearrangement is taken concerning the investment. That procedure goes on and eventually investment in Information Tech at no time materializes.

(ii) In the additional situation, the strategy creators having definite to instrument Information Tech in the association immediately capitalize on whatsoever form of

Information Tech offered in the bazaar at the enormous predominant expenditures. Nonetheless quickly they realize which so on they take received has developed outdated and has become a responsibility. Therefore, we get which though capitalizing in Information Tech is so stable and sensible choice is needful to be taken by the experienced strategy creators, who are too in essence needful to be Information Tech abled peoples.

Connection between Tech, Investment & Commerce.

Nodaway's worldwide bazaar no manufacturing or commerce may survive without taking newest tech. Tech is the instrument over that a commerce is going to advance Investment is essential to purchase the tech. Therefore, we discovery which there is straight relative between the 3 :

- (i) Tech
- (ii) Investment
- (iii) Commerce.

Tech is the main driving power behindhand the global manufacture and shifts in the shapes of commerce and investment. Investment is realized by way of a trajectory of manufacture, tech and commerce prowess. Commercial, instead of is realized both by way of a reason and importance of improved investment and technical growth.

Why would anybody capitalize in tech?

- (i) Data structures can offer competitive benefit to the company.
- (ii) A constantly powerful Information Tech founded substructure can, over the extensive period, play an significant tactical roll in the lifecycle of the company.
- (iii) Data schemes are important for very presence of the company.
- (iv) Survival of the company at a middling level requirements investment in Information Tech.
- (v) Administration guidelines can require these remnant investments.

## Position of Information Tech Investment Collection

Aimed at the U.S. budget as a total, the Information Tech investment characterizes around twenty-five percentage of wholly money investment. Taking capitalized such a enormous quantity in Information Tech, it develops clear to investigate the consequence of the similar. The principal question derives to one's attention, is to get whether the company is getting a good coming back on its investment in Information Tech or not. 3 The nice R.O.I. may be replicated within several reasons, such as:

(i) expenditure saving: The primary influence would be touched through the expenditure decrease of the goods of the company. That is a obvious suggestion of good coming back on investment.

(ii) Better productivity: The productivity of the workers would rise intensely and improve their effectiveness. That outcomes into improved company and worker relatives.

(iii) Better-quality: There would be considerable development is the bran of the goods, therefore the goods will take critical edge over another such goods offered in the bazaar. Related with that aspect extra and additional clienteles would be involved to the goods of that company, that has capitalized in technology.

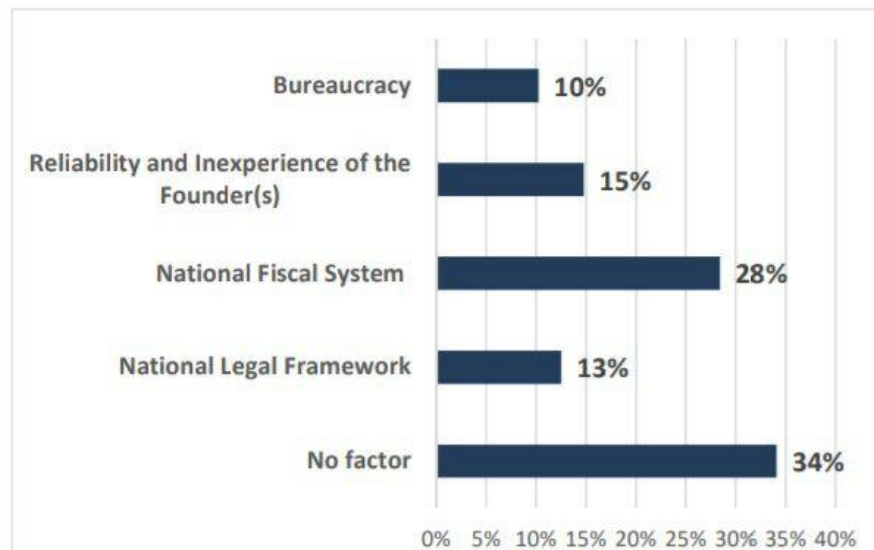
(iv) capable to offer improved client services: Currently taking furnished with improved tech than later, the company is in a location to reduce plentiful improved services to the clienteles. That would aid in making good will of the company in the bazaar.

### **4.1 Problems in angel capital area**



According to the survey realized between many participants from different countries of the world, the participants are supposed to evaluate degrees of influences of different factors on angel capital processes:

### Factors hindering an investment



Additional than one 3 of members thirty-four percentage acknowledged which no specific aspect delays their effort as commerce angels, e.g. no detailed fence stops them to capitalize.

The nationwide economic scheme is specified as the major fence to commerce angels' funds twenty-eight. Depositors from Italy, Luxembourg, Poland, Netherlands, Croatia, Bulgaria, Ukraine, Denmark and Finland principally complain around the tall level of taxes in their republic.

A lot of members fifteen percentage acknowledged which they do not capitalize if they do not belief the establishment group, or reflect they don't take the essential abilities / background / size to chief the planned commerce.

Here are about of the problems connected to depositors:

- Lack of slide of correct greatest practices. Knowledge how to develop an angel is a vertical education curve, with many things sources
- Not sufficient related with figure an investment collection at a meaningful step. Lesser bazaars obviously have less startups.
- Period assurances. Angel capitalizing receipts a TON of period. It needs times and times to reflect and vet probable contracts, and then extra times to provision your funds once you write the investigation.
- Lack of choices to rapidly figure a varied startup collection at a sensible price point.
- Not sufficient extra ‘ thoughtful ’ angels to co-operate with on industry / organization deals together. That bonds into the preceding opinion around danger and investigate scope, but many angels are frightened of making errors and will shuffle their bases consequently.
- Awful onboarding procedures for available investment podiums. Those podiums are talented ways for novel depositors to incline their toes in startup capitalizing liquids.
- Additional acquisitive angels. For example an angel external of SV, you will infrequently meeting additional angels who request for egregious standings
- limitation of the variety of angels by characteristic of race and gender. That is developing gradually, and we see many gifted development between females angels in the United States
- An ‘ Old Guard ’ which barleys their bazaar. In several bazaars, a minor squad of angels administrate the market.
- Influenced by tactical depositors who come in a next plump and organize to discuss egregious conditions

- Shark tank. It is bringing startup capitalizing a immoral name. It is television, no startup capitalizing. Certain, it infrequently has many better educations but do not take it also solemnly if you are an hopeful angel.

- Silicon Vale and plentiful of what it adopts.

Firms would connection your investment firm directly if:

- They break recompensing your attention recompense
- They break recompensing the spreading you suppose to obtain
- You understand something in the television around your investment firm going into management or abolition

Obtain lawful assistance

It is a moral knowledge to obtain lawful information around your rights and if you are permitted to any payment. The causes for the firm's collapse can involve wrongdoing or a break of the rule, and you may be capable to be salaried.

You understand you have been cheated

Investment cheats are frequently very expert, smooth and realistic which it is difficult to say them at a distance from frank investment chances. The cheaters set up a false commercial and sites to fake persons out of their cash.

After there are issues with your funds, program what your choices are and whether you may improve any cash. It is significant which you effort on the upcoming to obtain your moneys back on path.

5 significant Difficulties of Investment

1. The core issue of investment may to provide security of the affinity of the policy-holders.

2. The compensation of the assertion quantity is the additional issue of the lifetime guarantor. The guarantor should have enough assets to recompense the assertion.

Thus, the affinity received from the asset must be satisfactory sufficient.

3. The possessions of the guarantor must be endangered from any symbols of variations. So, the guarantor would receive enough quantity to recompense its costs.

4. There must be whole moral confidence of the communal in the guarantor's organization of assets. In instance of unsure investment, the suggest of community can be beaten. The guarantor, so, can be down its commerce in upcoming.

5. A big attention has to be occupied though choosing appropriate networks of investment. The ideologies of investment must be shadowed to a significant degree. Investment must be which income there on must be extreme without hindering security and marketability

issues in researching and discovery correct depositors aimed at start-up commerce in micro financial level:

1. resistant to your possible achievement is lost.

2. believing is one of the elementary apparatuses that resolves angel capitalizing into which zone.

3. You have an inexpert group.

4. Memberships of your group do not effort well organized.

5. You are possession effects from me.

6. You do not have a commerce typical or idea.

7. Indication which the startup will receive cash is slight.

8. the depositor doesn't trust you may figure your produce.

9. Your firm isn't the primary to come in the bazaar or exclusive.

10. The creator or boss is uncacheable.

11. Your startup expenses so plentiful.

12. You grip refusal unwell.

13. You cold-named the depositor.

You directed your strategy to each angel depositor or risk entrepreneurial for whom you might discovery connection data. Your demand is just working to be throw into the garbage.

14. I am not the correct depositor.

15. You do not emphasis.

You are stressful to promotion each lone product plan which you have. As an alternative break on path and effort on making the greatest product which you may exempt.

16. You are method also initial for my cash.

You required to grow an knowledge which might transform your commerce niche. Nonetheless your idea is also far out

17. Your firm's tech is previously overlooked.

18. You are also leisurely to promotion a product.

Your firm is affecting also slowly.

19. You lack a advertising plan.

Your startup is composed to start trade a product nonetheless lacks a strategy for how to improvement trades and earn a competitive benefit.

20. What issue were you try to answer again?

After you established your startup, you prepared it with the impulse of answering a issue.

21. You do not recognize the engineering.

As an businessperson, you do not appear to be aware with the commercial segment complicated thus the investor is not attentive in financing your startup

22. You do not know the term "lean."

You have expenses cash on belongings like proprietary caps, important cables. Why would the investor need to finance your startup?

23. You are not disturbed about tomorrow.

Your startup appears to be founded only on a present tendency. You cannot guess a startup to have permanency for a long time.

24. There are no extra depositors.

I am not seeing indication that others have financed your commerce.

25. You're unaware.

Some of above problems spread on to you and you have not understood this. This is a difficult issue.

## **4.2 suggestions and solutions**

1. Articulate the Big Problem You Are Solving
  2. Show Why the Market Opportunity Is Large
  3. Show Why the Founders Are Uniquely Suited for Success in This Venture
  4. Give a Demonstration or Show a Prototype
  5. Get Quality Introductions to the Angel Investors
  6. Prepare a Great Pitch Deck
  7. Don't Make These Mistakes When Pitching to Angel Investors
  8. Prepare, Prepare, and Prepare Some More for the Pitch Meeting
  9. Show Any Early Traction or Adoption
- Demonstrating have an idea or business plan.
10. Show That You Have Thought Through Financials and Projections

Angel investors will want to recognize the financials of the commerce and any financial plans.

These are some treatment and content may connected to investment procedures in dissimilar scales:

National treatment: This has been a essential component of most contracts on trade in properties and services, and is too a serious problem connect to to global investment. Characteristically, these supplies guarantee that external depositors and their secondary firms are “treated minimum as well as their national complements,” or “no less favorably” than national productions. A rule that taxed foreign-owned entities at a higher rate than domestically owned entities would so disturb these supplies.

Domestic Content: Another restriction occasionally influenced on external depositors is “domestic content necessities.” These need external depositors to buying a sure proportion of middle properties from the host state. Domestic content necessities are possibly the widest public system of influences by administrations on external assets, and many economists trust they are so damaging to financial growth.

Expropriation: The capture of external assets by administrations has historically been a main alarm for global depositors. Variations in administrations in developing nations, or sometimes variations in policies, have led to administration takeovers of external possessions.

As output for this rule, the depositor has not only misplaced the cash that was spent on building a factory on the site, but the actual estate maybe cannot even be resold for the obtaining worth as no extra depositor would need it agreed the new boundaries on its use. In economic conditions, the administration regulation has so reduced significantly the worth of the possessions to the depositor. The depositor may search for claim that this new regulation establishes an expropriation of

possessions and that she so is entitled to recompense by the administration for the damage she has hurt.

Environmental campaigners have particularly thoughtful worries about this explanation of the sense of expropriation. If supplies in search of to give depositors guard from such “takings” are not sensibly and appropriately realized, says a account by the International Institute for Sustainable Development and the WWF, “any environmental rule value accepting will influence commerce operations and may frequently end the use of, or trade in, confident goods, and so will have a important influence on the commerce in inquiry.”

Free movement of assets: Additional exercise which has factually been of grave anxiety to external depositors is the boundaries on the transferences of assets—specially out of a republic. Throughout times of financial disaster, external depositors can desire to remove their moneys, and have frequently found which external administrations have influenced lows delaying their capability to do this. The understanding of administration strategies qualifying money discharges, specially of short-term collection funds, is still a material of general discussion between economists and state administrators too specific depositors, for the liquidation of assets and money are significant problems. .

Argument clearance: These supplies characteristically spell out pure measures which should be tailed in the occasion of arguments among depositors and administrations, to guarantee which guidelines are followed to and this judgement can be recognized by common agreement.



Greatest Preferred State behavior: To guarantee which states don't difficulty external investment from sure states in kindness of investment from additional ones, that elementary notion of global sale contracts—and today the main establishment in global contracts on investment—pursues to avoid prejudice between depositors from dissimilar republics

The situation for dropping those types of fences to investment are well-informed in financial proofs. Problems to investment avoid republics from creation ideal usage of their individual and extra republics' sources. Uncountable billions of moneys of possible capital—for depositors in the method of incomes, for employees in the method of salaries, and for customers in the method of lesser values—are mislaid each year related with fences to sale and investment.

Republics can influence those types of procedures with the purpose of defensive national manufacturing from global opposition and promoting their monetary growth, nonetheless that typically chiefs to misallocation of sources missing from the normal financial abilities of states.

Here are many suggestions for micro commerce after they have meeting with the possible depositors

Showing headship and trouble-shooting abilities;

Presentation which your commerce is somewhat value my hitting my hard-earned money into

The depositor appetite to be certain which memberships of your group have the experiences and punishment to whole exercises, see time limit and shadow within on aims.

The depositor must at smallest recognize the fundamentals of what brands your early-stage business click.

whether you can't demonstrate which persons are enthusiastic to compensation for your service, at that time why should an depositor, give you cash?

The depositor can individually want to understand many kind of employed example.

You should have somewhat dissimilar or exclusive outside what the opposition has. Maybe make a novel knowledge from an deep-rooted commercial model.

You are not enthusiastic to pay attention to information or suggestions and develop self-protective after I censure an component of your commercial. Therefore I cannot effort with you.

The worth would be founded on previous exploit and the firm's probable. If I sense which a early-stage business is being measured at a worth which too exclusive, I am going to search additional investment chance

Recognize which became incorrect and make the correct adaptations. What occurs later the area and refusal pronounces a lot around an businessperson. Depositors are viewing, even later they have supposed no.

The investor individual capitalize in these business after the creators are mentioned to them or they go inside and outside the noise of responsibility to attract their care.

Do many search fast and find the depositors who are included in your arena.

Nevertheless you do have to satisfy the correct clients or the condition will turn back to injury you -- maybe in an online reference.

Depositors characteristically want to stick with confirmed technology and manufacturing.

Do not, there is nothing incorrect with emancipating a version and create the suitable changes at time continuing.

Have you determine marketing objectives? How will you encourage your good?

These are vital marketing requests that need.

But the businessperson, have shifted your emphasis from taking part in an idea to running an real commerce, you have lost sight of the unique issue. The depositor need to approve that you're still addressing a issue that exists and your answer is possible

Break down the real statistics which worry your specific position of the manufacturing and know them hard. If you don't have those figures, the depositors assume the worst or even more awful, they'll come up with my own calculations.

The depositors understand that we cannot forecast the coming processes, but they need to finance startups whose proprietors consider about the prospects, not just current tendencies.

If the depositors are a follower in your business, they want to realize attention from other depositors. The attendance of extra investments show business an suggestion which somebody different understands possible in your business and other persons are support your idea. Having many depositors is good as they will support encourage your business.

The depositors cannot stand dealing with persons who cannot understand flaws and are unexperienced about efforts to overcome them. Take your disadvantages and try to repair them.

### **Conclusion :**

The investments put into the economy by investors have great importance and play significant role in economic development. They provide financing of projects belonging to different sectors of economy (industry, services and etc.). In this context, we must note the importance of angel investors.

In the conditions of the market economy, the projects prepared for any activity, i.e. manufacturing, sales and etc. need financial sources for realizing them. These financial sources may be individual funds of founder of this project, credits from banks and credit organizations and investments. The interest from the amount of money put into these projects attract angel investors and they became interested in put their money for gaining more profit. Yes, there is the risks always. And this factor is the argument being interesting this sector. Therefore, evaluating methods of risks and other problems are actual in the investment segment.

Today, especially in what time, to develop of some sectors and diversification of the economy became important challenge and the countries try to formulate answers for it. Then, it is clear one of the methods for reaching this objective is providing form better investment environment, improvement of investment infrastructure, legislation regulating this segment and attracting angel investors to finance the projects.

One of the tasks ahead searching the problems and providing answers for these. This work targets also, the importance of angel investors, analyze their role in economic development, research briefly about the problems from the view entrepreneurship needing angel investments and supposes some alternatives to solve problems with angel investors in microeconomic scale.

In IT industry, investment also important factors, because this industry is developing continually and generated new trends every day. The basic IT giants could not exists without investment funds put into them. In many countries, the relation and connection between education and the investors. The valuable and prospective projects from students and education are evaluated and financed by investors and this provide generating new technologies and software.

As the results, this content covers analyzing angel investments, the profitability of the investments put into different sectors, specially IT industry, the main problems

and suggest some solutions. It is brief content of this work and thing becoming it important.

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