

# [Why have some financial intermediaries retained a mutual structure while others h...](https://assignbuster.com/why-have-some-financial-intermediaries-retained-a-mutual-structure-while-others-have-converted-to-investorowned-companies-500words/)

WHY HAVE SOME FINANCIAL INTERMEDIARIES RETAINED A MUTUAL STRUCTURE WHILE OTHERS HAVE CONVERTED TO INVESTOR-OWNED COMPANIES
There several reasons behind the fact that some financial intermediaries retained a mutual structure while others have converted to investor-owned companies. The primary factor to conceptualize would be the fact that every country pursues business differently. Laws affect the ways in which business is conducted from region to region and country to country. Negotiations are never conducted exactly as they would be where you have pursued such actions in any city, in any state in whichever country from which you originate. Knowledge and understanding of how others conduct business is an incredible advantage toward the understanding of global management accountancy situations. For example, where the deal is always the single most important consideration to Americans, the details and the way those details are ironed out would be more important for Europeans and Asians. This is where cultures clash in the board room. Something many who are experienced in global management accountancy would state unequivocally. (Brett, 2003)
In the context of investor owned companies, it can be stated that in the eyes of many from the northern states in the US this is the preferred method for management accountancy and enforcing a series of set standards toward labor and economics in the world. A businessperson's largest asset would have to be the support gained by his or her employees or employers depending upon the infrastructure in the company. The south would have a different viewpoint, in that centralization tends to favor one body in place of more than that. Understanding global economics from a managerial perspective requires an understanding primarily of accountancy and economics. Secondly, we must understand how our accountancy and economics associates in a global landscape and finally, how cultures and accountancy coincide or clash depending upon the situation. However, once the company moves towards an investor owned corporation the limitation if liability is divided among the stakeholders and the risk is carried out by many. (Arnold, 2008)
On the parameters of mutual structure, it can be stated that the idea of capital structure is a difficult aspect of management. In reality, it could be determined as a mix of equity and debt and is instrumental in financing the organization. In general terms the determination of the optimal capital structure is an annual decision making process where the management must formulate the best possible structure of the capital. The decision is based on evaluation of debts like bank loans in the context of equity available. It is essential to maintain a debt- equity ratio. A huge amount of debt would not be a healthy sign for the organization. (Blake, 2000)
However, it may be stated that the capital structure can be measured using several other formulations like the asset equity ratio or the finance equity ratio. These measures cover and evaluate the structure by accounting values. Thus, it is easily to please the stakeholders though the profit margin is comparatively low. This is a case of sacrificing profitability for stability. This is why the corporations that believe in low risk investments opt for mutual structure rather than investor owned structure.
Bibliography:
Arnold G (2008) 'Corporate financial management' , Financila Times, Prentice Hall
Blake D (2000) ' Financial Market Analysis' 2nd ed, John Wiley & Sons
Brett M (2003) 'How to read financial pages' Random house, Business Books