The implications of the security act of 1933

Finance

Managerial Finance

The Implications of the Security Act of 1933

The passing if the Security Act of 1933 was the beginning of federal regulation of the securities market. The Act sought to provide fair and full disclosure of the character of securities that are sold in interstate commerce. The rationale for the Act was the belief that the investors in the new issues had been hoodwinked by inadequate disclosure and exaggerated claims of the true financial position of organizations (Johnson & McLaughlin, 2006). However, the Security Act of 1933 established standards for the pre-sale disclosure of all pertinent financial information by the issuers and their agents. The Act set into the open legal remedies and fastened penalties against the parties that botched to make full disclosure. Moreover, the Act required a registration statement for all the new issues that are traded publicly on the national exchange. The statement must be sanctioned by the SEC.

According to the act, all the statement must include audited loss and profit statements, balance sheets, an account of the business, and the meant use of the funds (Johnson & McLaughlin, 2006). All of this information has to be provided prior to sale to the investors in the form of a prospectus. The Security Act of 1933 mandated that a 20-day wait period was prerequisite between the filing date and the date of the first sale. This period was to give the investors adequate time to study all of the registration statements. Lastly, as per the Act, the buyer was sanctioned to sue any individual involved in the signing of the registration statements for losses incurred as a result of misleading information or omissions of facts in the statements

(Johnson & McLaughlin, 2006). However, the burden of proof perched with the defendants.

Factors That Make Up Interest and Benefits of a Good Banking Relationship

One of the major factors that make up interest is financial management. Financial management is a basic building block as it measures the health and progress of the business. Moreover, financial ratios depicts the relationship of the figures in income statements and balance sheets to give leverage position, profitability, and productivity which have to be balanced by interest and health business (Dlabay & Burrow, 2008). Low leverage ratio gives a business more money for inventory, the advantage of trade discount and competitive pricing (Dlabay & Burrow, 2008). Accounts receivable is also a factor that makes up interest. The account receivable refers to the total amount of money gained from products or services sold. The account receivable turnover shows how the business collects what is owed to it. It also indicates the liquidity of the receivables which is very important when it comes to interest.

Having a good banking relationship is very beneficial for a business. Good banking relationship allows a business access better loan terms and interest rates. According to Van (2010), bringing the large share of the client's wallet is the major concentration of financial institutions sales efforts. This is beneficial to a business since the business can access better interest rates than those advertised to the general public. Depending on the overall banking relationship, a business may get lower interest rates on their time of borrowing and higher interest rates on their time of deposit. Belonging to a bank that is acquainted with a business's history and financial status can help the business when it comes to forecasting for the future. Van (2010) assert that good banking relationship allows the bank to take more pre-emptive roles that allow the business identify its opportunities enhancing their growth and their financial position. Lastly, good banking relationship gives a business the opportunity to have fewer fees in the bank. This is so because since the bank regards the business as a valuable customer, obvious things such as checking the business's account overdraft fees are waived easily. Moreover, upholding higher balance means that the business is possible to be excused from common monthly maintenance fees that arise when the business fails to meet its minimum deposit requirements.

References

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