

### Examrace

Economic Terms CAD, Fiscal Deficit, Recapitalization, Inflation, Cash Infusion, Cash Surplus, NPA, Budget Surplus YouTube Lecture Handouts

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**Economic Terms CAD, Fiscal Deficit, Recapitalization, Inflation, Cash Infusion, Cash Surplus, NPA, Budget Surplus**

CAD  $Value_{Imports} > Value_{Exports}$

Fiscal Deficit  $Govt_{Spending} > Govt_{Earnings}$

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- CAD: The current account includes net income, such as interest and dividends, and transfers, such as foreign aid, although these components make up only a small percentage of the total current account
- CAD – country imports for goods it will export later and create surplus later → as a place to invest for foreign investors
- How fiscal deficit is reduced – issue bond, print currency, raise tax and cut spending
- Fiscal deficit more common in bear market as less economic activity to generate revenue
- Keynes believed that fiscal deficit Govt spending is good as more money in economy and better job prospects

Recapitalization – Restructure debt

Inflation – Price Rise

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- Recapitalization - process of restructuring a company's debt and equity mixture, often to stabilize a company's capital structure. The process mainly involves the exchange of one form of financing for another, such as removing preferred shares from the company's capital structure and replacing them with bonds.
- Stabilize company structure, minimize tax, and improve liquidity
- Shareholders are interested in recapitalization as it affects volatility of earnings per share
- Reasons for company to consider recapitalization including:
  - A fall in share price
  - To protect itself against a hostile takeover
  - To reduce financial obligations and minimize taxes
  - To provide venture capitalists with an exit strategy
  - Bankruptcy
- Inflation – rises price and decreases purchasing power
- When more money is issued the value of money decreases

Cash Infusion: More money into system

Cash Surplus:  $Cash > Cash_{day\ to\ day\ operations}$

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- Cash Infusion: the act of providing more **money** or resources to make something stronger and work better: **infusion** of **cash/money**/funds Central banks acted to calm nervous financial markets by providing an **infusion** of **cash** into the system.
- A **cash surplus** is the **cash** that exceeds the **cash** required for day-to-day operations. How you handle your **cash surplus** is just as important as the management of money into and out of your **cash** flow cycle. Two of the most common uses of extra **cash** are paying down your debt.

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NPA

Budget Surplus:  $Income > Expenditure$

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- A nonperforming asset (NPA) refers to a classification for loans or advances that are **in default or in arrears**. A loan is in arrears when principal or interest payments are late or missed. A loan is in default when the lender considers the loan agreement to be broken and the debtor is unable to meet his obligations.
- A budget surplus is a period when income or receipts exceed outlays or expenditures. A budget surplus often refers to the financial states of governments; individuals prefer to use the term 'savings' instead of the term 'budget surplus' and excess cash flow for businesses. A surplus is an indication that the government is being effectively managed.
- It implies less demand for government services, more tax revenue, higher income, and surplus is derived from taxes

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