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Suggestions for Managing Common shares speculations

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ABSTRACT

This study concentrates on common shares speculations problems. It shows reasons which lead to loose wealth. The reasons have been divided into two major reasons to give possibility to control common shares speculations problems. It divides to two groups Ignorance problems and Loans problems. These problems affect on the speculator net profit, as it can lead to great profit it can lead to great loose. In these days many speculators asking:" where our wealth gone?". As result to this study Ignorance problems and Loans problems lead to wealth loss reasons which must be controlled to get trust back to financial markets. Therefore recommendation gives suggestion to make controlling possible up to solving these problems. Searcher suggests estimating common shares value up assets market price in local currency to managing common shares speculations locally with limits.

Keywords: *Financial Market, Common Shares, Speculations, Ignorance and controlling.*

1. INTRODUCTION

1.1 Background

There is strong statistical relationship between financial development and economic development. This often presented as evidence that financial development causes economic development by promoting investment and making allocation of resources more efficient(Pedro and Erwan,2010).

As result to development center bank must agree on assets developing or improving in banks. It is important to keep saving finance in country rather than migrating possible because of international economic (Thomas, 2011).

Common shares show amount of partner sharing in the company. This amount must be increased if company assets increase. On other hand this amount must be decreased if company assets decrease. So common shares value give idea about company success. That mean common shares show value of what company owners has. These owners buy shares for long time to get part of the company net profit. But speculators buy shares for short time.

In sensible way, some common shares speculators expect financial decision in any company should be made only if there would be added benefits exceed the added cost.(Lawrence, 2000). On other hand some common shares speculators are speculated up to shares demand expectation regardless of any rules as gambler. They do not care of company assets value. Gamblers think Ignorance is good way to get great net profits. Fast dealing and technology tools help gamblers to speculate from any place whether local or international. So affect of common shares speculations loss will appear on international speculators as local speculators .Repeating loss will lead to loss trust and immigrating money. Some times it will lead to loose companies, which causes financial crises. Loosing of company come as result to loose reputation because of speculators rumors, loosing as speculators and loosing ability to get its revenue as result to loose customer buying ability at the time it have to buy its debts.

1.2 Problem Questions

Control problems of common shares speculations come from many factors. This study concentrates on three questions:
1- What are common shares speculations Ignorance problems?
2- What are common shares speculations Loans problems?
3- What is the way to control common shares speculations Ignorance problems and Loans problems?

1.3 Objectives

The main objectives of paper are thee folds:
1- To find problems which come as result to common shares speculations Ignorance problems.
2- To find problems which come as result to common shares speculations Loans problems.
3- To give suggestion to control common shares speculations problems.

1.4 Importance

This search is important to protect people and companies indirect investment by dealing in financial market. So it will protect saving and keep growing of company direct investment to produce products because of liquidation possibility and finance projects any time by financial market. And by protecting people investment demand will be growth on products. This will keep growth of sectors economic and developing and give government possibility to collect tax with out problems. On other hand, international relationship will increase because of encourage investment to migrant their saving to the country.

2. ESTIMATED SHARES VALUE UP TO ASSETS ESTIMATED VALUE

Any project has risks. Risks divided into three levels which are: big , medium and small. Manager diversity financial tools in one project or in many projects that company assets contain. On other hand, manager can transfer risk or accepted. There is relationship between financial development and economic development (Pedro,2010). Financial marketing show many financial and investment developing tools that financial manager can control risks. These tools affected on banks services to develop saving tools to make money staying (Thomas,2011).

There are many risks affect on assets estimated value. Assets could be cash money, products, land, building, machine and cars. These assets are different from company to others. Balance sheet show value of assets, liabilities and equity at the time it has been made. This value is being different from time to time because of different accounting standards and different changes of marketing price up to demands and supply. Because of changes balance sheet financial analysis must change in order to data changes to get right estimated value.

One of the most risks we face now is exchange rate of the balance sheet currency. For example: Assets value grows 20% of its value, this mean Assets give profits. But if this growth related to exchange rate reduce of the currency which reduced to 50% of currency value. This mean company lost 30% of assets value. As result to currency changed liabilities value would be reduced if it were in local currency. But if liabilities were in foreign currency it will increase and may made deficit.

Assets successful management is appeared when assets profits can cover liabilities needs and equities aims in the limited time. It is important to relate profitability organization strategy with assets distribution. Assets distribution is not fixed because of open environment. There fore profitability organization control assets to achieve its aims (Lawrence,2000).

3. MODEL OF COMMON SHARES SPECULATIONS PROBLEMS

The model is showing problems into two major problems, which are Ignorance problems and Loans problems, Ignorance problems, are the problems which lead to common shares estimate value mistakes because of high difference between real assets value and expected assets value. On other hand Loans problems give idea about problems come as result to speculator or company debt deficit which leads to common shares estimate value mistakes. see the follow model no (1):

Model no (1): Common shares speculations problems

Ignorance problems

1-Fast dealing
2-Technology tools negatives
3-Convert Company liquid
4-accounting standards negatives
5-Quality standards negatives
6-Rumors
7-Artificial personality negatives

Loans deficit problems

1- Speculator selling by overdrawn account
2-selling new establish company Common shares before convert to Assets
3- Selling company rights to get liquidity from customers buying by credit

3.1 Ignorance problems of Common shares speculations

Ignorance problems of common shares speculations are related to these factors:
1- Fast selling and buying in financial market makes ignorance of sharers known for other shares. As result to sharers reputations this will affect negatively if they have bad reputation because of buying big amount to increase demand of company shares and selling the amount suddenly after raising shares rates to get the possible profit as they can regardless of affection on company reputations.

2- Technology tools to sell and buy in financial markets from local or international place makes ignorance of immigration investments. International sharers transfer speculations net profit and capital to their country any time and local sharers can transfer their shares value to other country by selling shares and buying others in other country. This can affect negatively on shares liquidation. Specially if the financial market loose buyers. As result this case will cause difficulties of financing companies to increase assets or to buy their debt at expected time.

3- Convert company liquid capital to producing assets or products or other company shares shows its marketing value to estimated common shares expected value. Ignorance comes as result to selling shares in high value before convert company liquid capital. This means selling rights with out grantee to deserve net profit as different between selling shares rate and buying.

4- Accounting standards show company assets value. Ignorance comes as result to different accounting standards from country to other. For example: value of store goods if it increase in market it will show increasing of company profit just when account standards have been used marketing price rather than cost price.

Ignorance leads to mistakes of estimate common shares value because of cost price as depending accounting standards.

5- Quality standards show company marketing competition ability. Ignorance comes as result to different between applied qualities standards practically or just have promote in case it has quality certification. This mean customers buy their product in high price at the time it dose not deserve this value. And banks finance company assets by loan at time the company has guaranteed because it dose not applied quality standards practically. There fore its competition ability is not real. This leads to loose reputation.

6- Rumors lead to mistakes of estimate common shares value because of disclosure difficulties. It is increased by fast selling and buying in financial market, specially if there are no standards to control common shares estimated value.

7- Company artificial personality gives idea about company rights and duties. Creditor will seize their wealth when they get in deficient. But if company gets in deficient, creditor will seize just assets regardless of sharers wealth. Ignorance comes as result to different duties by law which affect on creditor rights. Minimizing creditor rights can be increased when sharer decide to leave assets rather than buy debts. Especially they can establish new company in new name with their experiences. The problem increased when big sharers intend this way to make profits. Small sharer will loose as result to authorize big sharers.

3.2 Loans deficit problems of common shares speculations

Loans problems of common shares speculations are related to these factors:
1-Speculator can selling by overdrawn account .the problem come when decreasing share value at time he has to give its value at time that he bought and interest rate as any loan. Speculator will loose his grantee by deficit. On other hands this can lead to deficit to buyer if grantee vale is not enough. There fore liquidity be lost.

2-Selling new establish company common shares before sharers buying its value. This mean equity is financed by loan which not given. This gives idea that there are no real assets to be estimated to give shares value. The question is: how can speculator buy some thing is not found? Law explains this case as buying fish in the sea.

3-Selling company rights to get liquidity from customers buying by credit as result to buy by check, discount notes, later buying contracts. The problem comes as result to these factors:

* Grantees show possibility to buy debts at limited time. If it is not enough or its value decrease it will lead to deficit.
* Law procedures come as result to control inflation by center bank because check, discount notes, later buying contracts lead to money supply. Rules can make buying debts difficult by change suddenly, for example: buying by check gives seller right to get liquidity from any bank, but if he write:" this check is as insurance", seller can not liquidate check. Or the center bank decides to deal with check as discount notes; therefore it will loose its right to liquidate by bank with out loosing any value. Rules make buying by credit difficult and lead to liquidity problems. So the company selling policy will be affected. As result shares will be decreased if the affect is negatively which lead to loose or to late getting liquidity. Even it affect on the company buying by credit. It some time can not buy to produce product as customers expect. As result customer go to other competitors company.
* Deficit problems solution is the way to solve debts deficit. Creditors may give new limit time or new interest rate or reduce debts amount. These solutions affect on debts real value. As debts are assets it will reflect shares value. Decrease of debts value decrease shares value.

CONCLUSION

There are problems affect on common shares speculations, which are Ignorance problems that lead to mistakes of common shares estimate value because of high difference between real assets value and expected assets value. Loosing disclosure of balance sheet data is the major problem. The other problems are loan problems which relate to deficit. Speculations depend on fast dealing to get highest possible profit. Because of these problems speculator loose his investment, company loose financing to get in deficit, and country loose liquidation as result to immigrate capitals out the country. This case gives idea about the important to solve problems of managing common shares speculations.

RECOMMENDATION

Following to conclusion the problem can minimize if there is way to give common shares speculations real estimated value. This as it can protect common shares speculations. It can minimize profits less than what they expect. On other hand this way will gives disclosure. Searcher suggests estimating common shares value up to assets market price in local currency to managing common shares speculations locally with limits. This need needs to be possible practically.

Suggestion of managing common shares speculations will concentrate on local companies. It needs local center pricing place to price all kind of assets related to the local company by local currency rate. See the example:

Table no(1): Assets of Company A: in 1/1/2012

Assets	Price in local currency
Products(1000 unit)	100 $ per unit
Land	500000 $
Building	300000 $
Cars (10 cars)	6000 $ per unit
All assets pricing	100000 +500000+ 300000+ 60000= 960000 $

Table no(2):Assets of Company A: in 2/1/2012

Assets	Price in local currency
Products(1000 unit)	110 $ per unit
Land	501000 $
Building	300000 $
Cars (10 cars)	6000 $ per unit
All assets pricing	110000 +500100+ 305000+ 60000= 975100 $

Growth of price is = 15100 $.

On other hand assets is financed by equity and liabilities. If equity = 320000$ liabilities = 640000 $.

$$\frac{320000}{640000} = 1:2 \longrightarrow \frac{15100}{3}$$

This mean growth of equity = 5033,3333 $

This mean common shares is growth but limited to equity growth. This suggestion has limitations which are:
1- Local currency.
2- Local company (assets).
3- Pricing center must take care of different demand in each city.
4- Liabilities in local currency.

SUMMARY

Common shares speculations must manage because of ignorance and loan deficit problems. Problems lead to loose disclosure to estimate common shares to reach real value. This as lead to make speculator highest profit it can lead to highest loss. To protect speculator wealth, company reputations and keep saving at country with out immigration, there must be way to minimize difference between real assets value and expected assets value. Searcher suggest to estimate common shares value up to assets market price in local currency to managing common shares speculations locally with limits and requirement to be applied possible practically.

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