

# THE CAKE SHOP

CAKE SHOP





**Story by Karthik Rangappa**  
**Illustrations by Tarun Andrews**

A casual conversation with his friends, after a game of football, turns nasty for eight year old Abhay. Abhay is very angry with all his friends, Vivek in particular, as Vivek jokingly suspects Abhay's working as a smuggler. Completely riled up, Abhay runs back home to confront his mother, Vidya. In her attempt to help Abhay relax and make him understand, she takes him out to a cake shop.

The story is about the stock market. It explains how a company can raise money from the stock market to expand its business. The story also explains how an investor can benefit by investing his money in a business via the stock market.





Abhay



Vidya



It was 8:30 AM, when eight year old Abhay stormed into his apartment on 19th floor. He cried out loud -  
“Where is Papaaaa?”

Vidya, Abhay’s mother was meditating. She was shocked to see him riled up. Abhay was supposed to be playing football with his friends.



“You look terribly upset, Abhay. What happened?” asked his concerned mother.

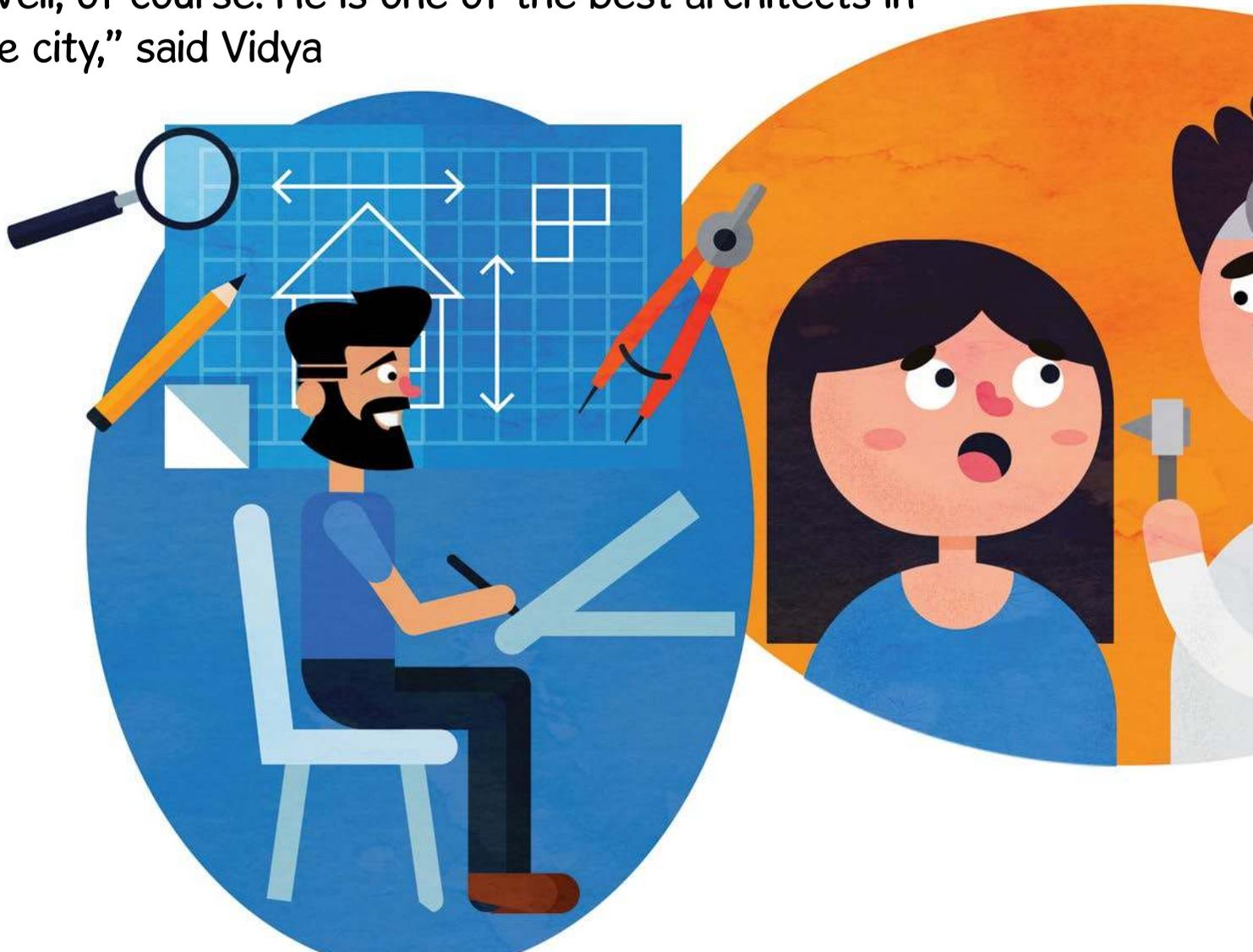
Abhay was agitated. He repeated his question, “Where is Papa?”

“He is at the gym. He should be back soon. Now calm down and let me know what happened?” suggested Vidya



Abhay looked at Vidya and said, "My friend Vivek's father is an architect."

"Well, of course! He is one of the best architects in the city," said Vidya



“Madhu’s father is a dentist. Ajay’s father is a lawyer. Bunty’s mother has a cake shop, and you are an air hostess,” said Abhay

Vidya was confused.

“Yes, of course, Abhay! That’s our profession. But I don’t understand, what is the problem?”



“All my friends can describe what their parents do, but I still don’t know what papa does. My friends make fun of me,” said Abhay, as tears rolled down his face.

He continued -

“I have asked papa so many times, but he never tells me what he does. He says he will tell me when I grow up, but I am eight years old now!”

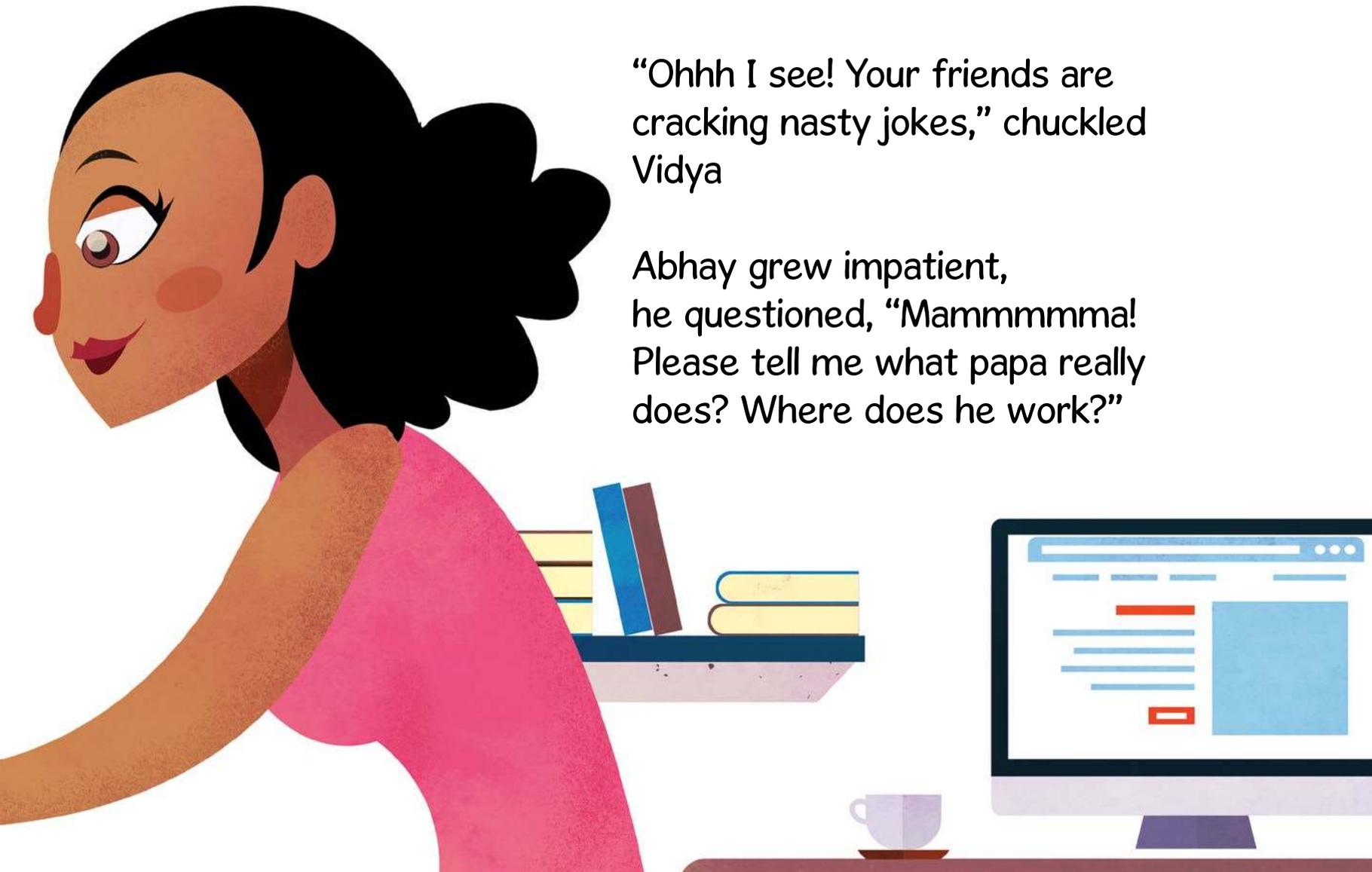


“And you are crying just for this?” asked Vidya, as she gently wiped the tears off his face.

“Vivek thinks papa is a smuggler. Is it true?” asked Abhay

“Ohhh I see! Your friends are cracking nasty jokes,” chuckled Vidya

Abhay grew impatient, he questioned, “Mammmmma! Please tell me what papa really does? Where does he work?”

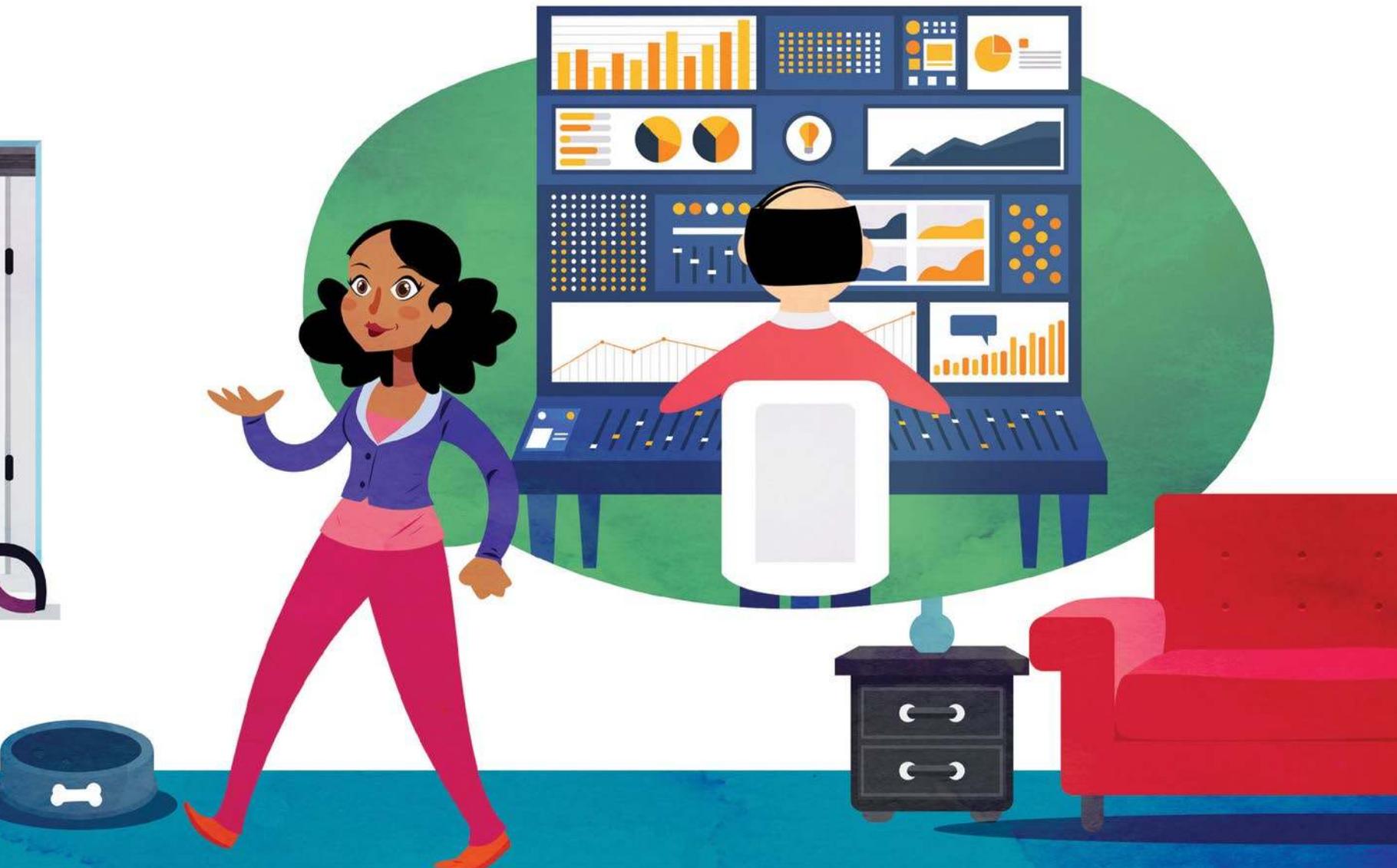


“Abhay, your father works at the stock exchange. He finds it hard to explain what a stock exchange is, and hence he must have not told you,” said Vidya, trying to convince him.

Abhay was curious, “What is a stock exchange, mama? Why is it hard to explain?”



“Hmm, I’ll try explaining, but I need some fresh air now. Why don’t we go out for a walk?” suggested Vidya.





Soon the two of them were out of the apartment taking a stroll in the nearby park.

“Okay mama, you have to tell me now!” insisted Abhay

Vidya knew this would be a tough task but she did not want to disappoint her son.



She looked around and said - "A stock exchange is like that super market. It is in fact called a Stock Market."



Abhay was quick to respond. He said, “I don’t understand. What sort of a market is this?”

Vidya knew she was left with no choice but to explain to Abhay what a stock market really is. She thought hard and finally came up with an idea.



“Let’s walk to Bunty’s mother’s cake shop and grab a slice of cake,” suggested Vidya

Abhay was thrilled - “Yeahhh! She makes the best strawberry cheesecakes! They taste much better than the ones you make,” he said jokingly.

Vidya was quite proud of her baking skills, until Abhay burst her bubble.

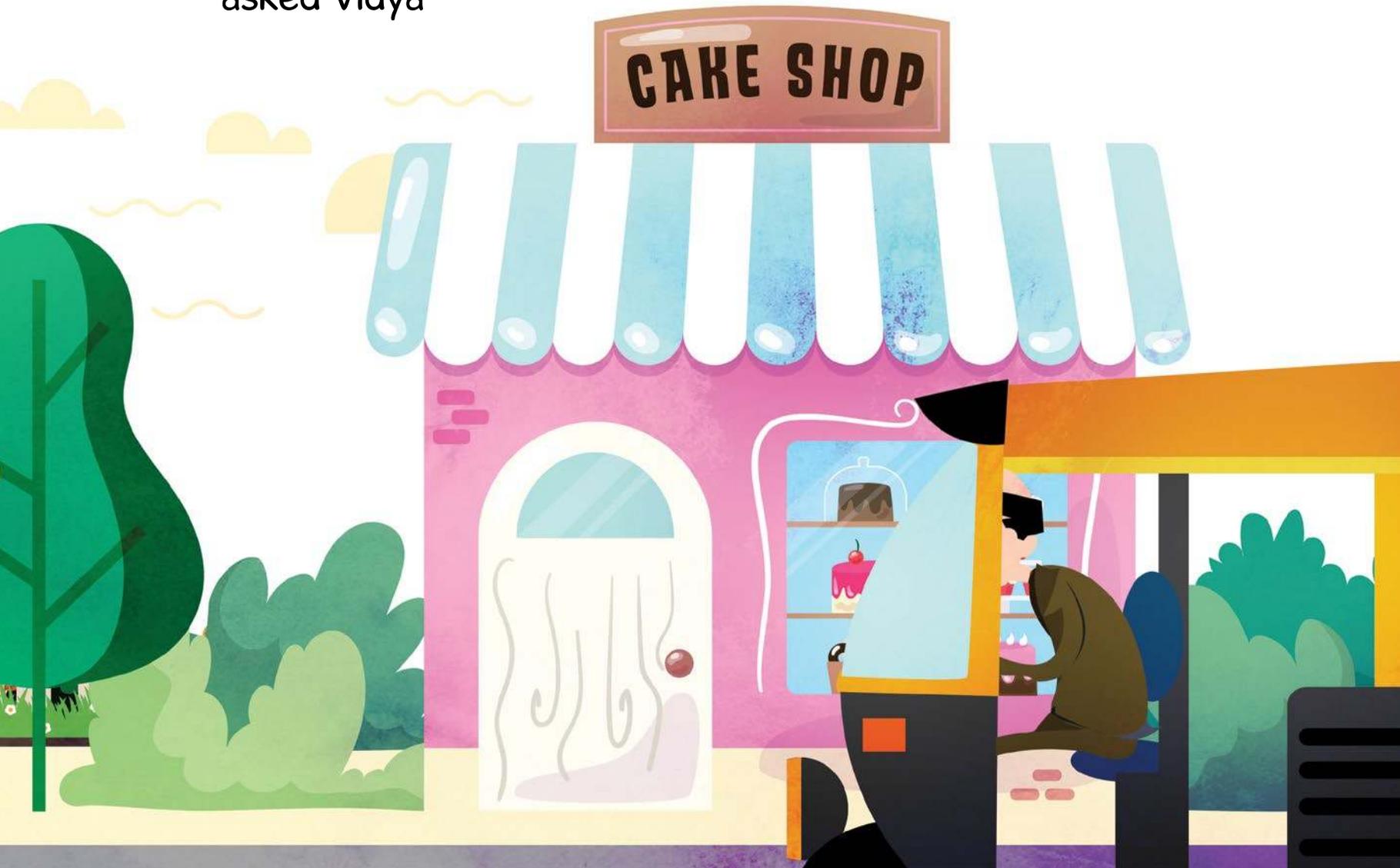


On reaching the cake shop, Vidya said, "I agree she bakes good cakes but she has only this shop in Mumbai. What if she wants to open another cake shop? Where will she get the money from?" questioned Vidya.

"I'm sure she has enough money to open another cake shop," said Abhay.

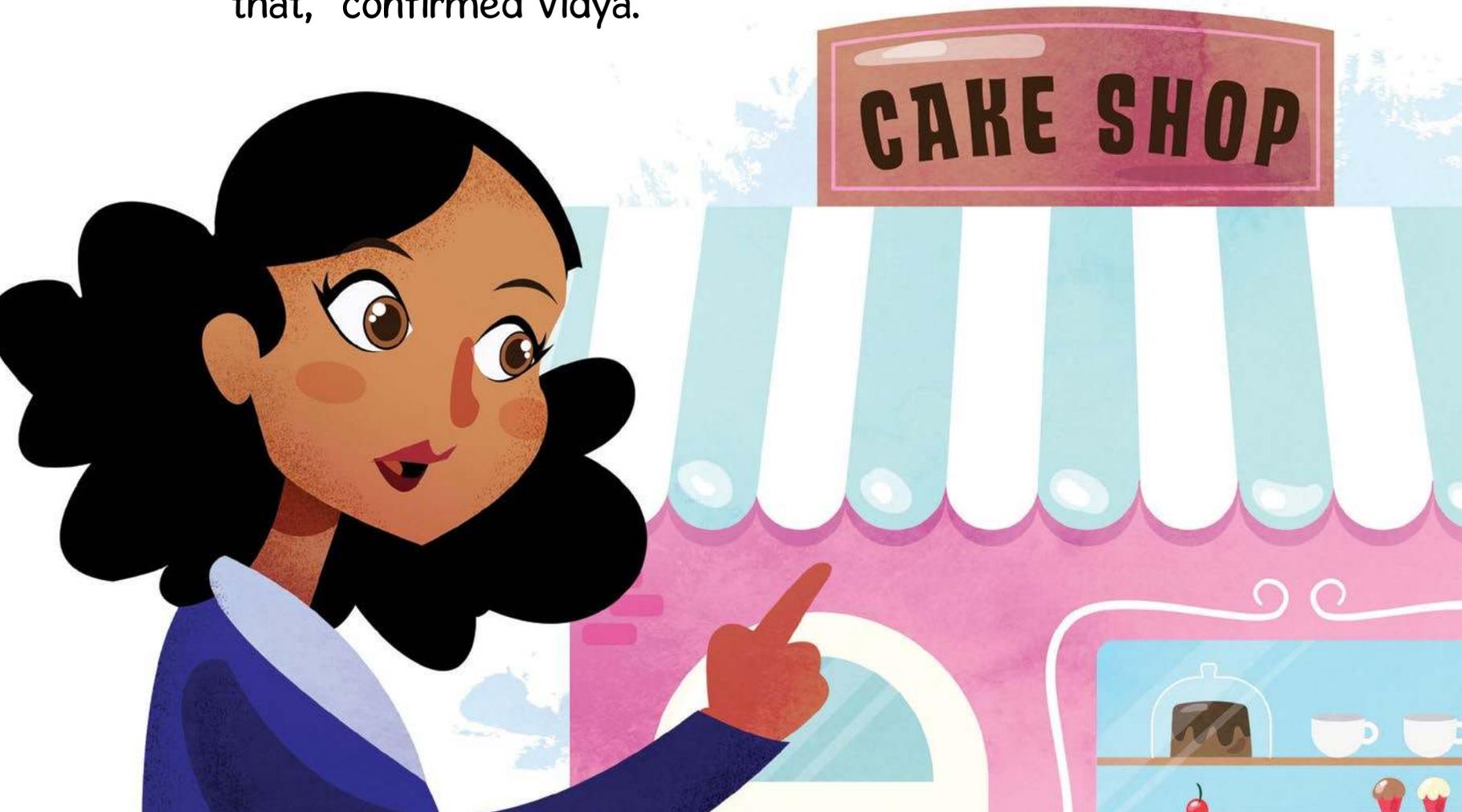


“Correct! She may have enough money to open another cake shop. Now think about this - what if she wants to open three more cake shops? Where will she get the money from?”  
asked Vidya



Abhay thought for a while and then said, “Banks have a lot of money. Maybe she can borrow money from them!”

“Exactly my boy! she would need a little more money to open three cake shops, and the bank will let her borrow that,” confirmed Vidya.



“Okay Abhay, now assume that all the three cake shops she opens are very successful. Encouraged by this, she now wants to open 100 cake shops across India. Where do you think she will get the money from?” asked Vidya.



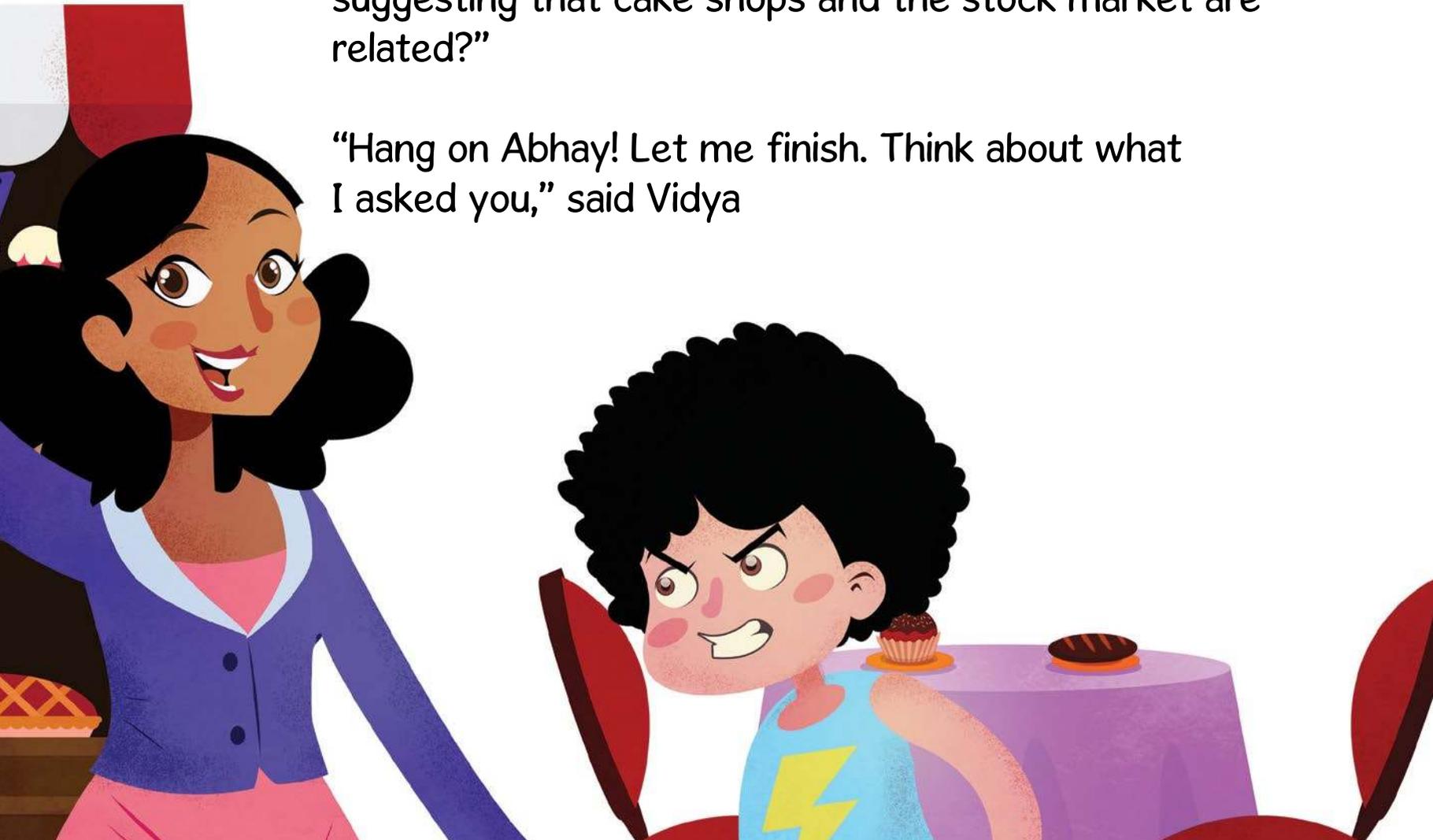
“Mammaa enoughhh! I don’t want to know how Bunty’s mother will get the money. Just tell me what stock market is,” said Abhay, impatiently.



Vidya frowned. She said, “Patience Abhay! I’m trying to explain this to you!”

Abhay was suddenly very intrigued - “Are you suggesting that cake shops and the stock market are related?”

“Hang on Abhay! Let me finish. Think about what I asked you,” said Vidya



“She can go back to the bank and borrow more money!” said Abhay, very casually while munching on a piece of cake.

“Yes, but she will need lots and lots of money to open hundred cake shops. Repaying such a huge amount of money to the bank won’t be easy,” said Vidya, as they started walking back towards the park.



She explained further - “Think about it, Abhay. If all the money she earns by selling cake goes towards repaying the bank, then what is the whole point of having these cake shops?”

Abhay grew curious, he asked, “But mama, if not the bank, then how will she get the money to open hundred cake shops?”

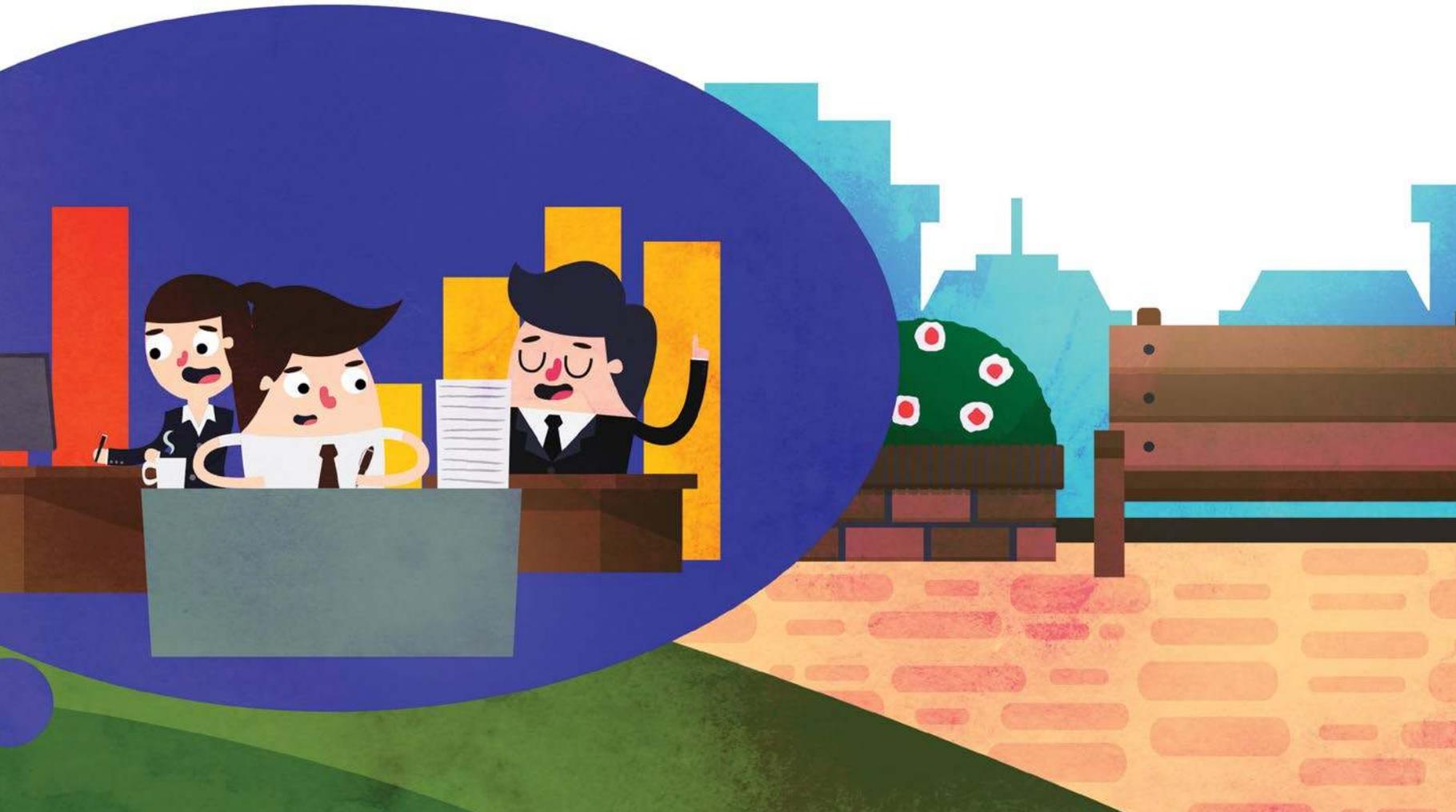


With a smile on her face, Vidya said, “Well, the stock market!”

“Huh? The stock market? So mama, is the stock market like a bank?” said Abhay.



“No Abhay, the stock market is not like a bank. When you borrow money from a bank, you have to repay the money plus a little extra money called ‘interest’. But, when people give you money in the stock market, they do not expect ‘interest’ like banks,” explained Vidya



“Why would they give money just like that, mama? What do they get in return?” asked Abhay.

“These stock market people are called ‘investors’. When investors give Bunty’s mother money to open 100 cake shops, they expect her to be successful in her business. They also expect her to share a portion of the profit she makes with the investors,” she explained.



“What is profit, mama?” asked Abhay

“Suppose she spends 100 Rupees to bake a cake, and sells it for 120 Rupees, then the 20 Rupees extra is the profit she earns,” said Vidya.



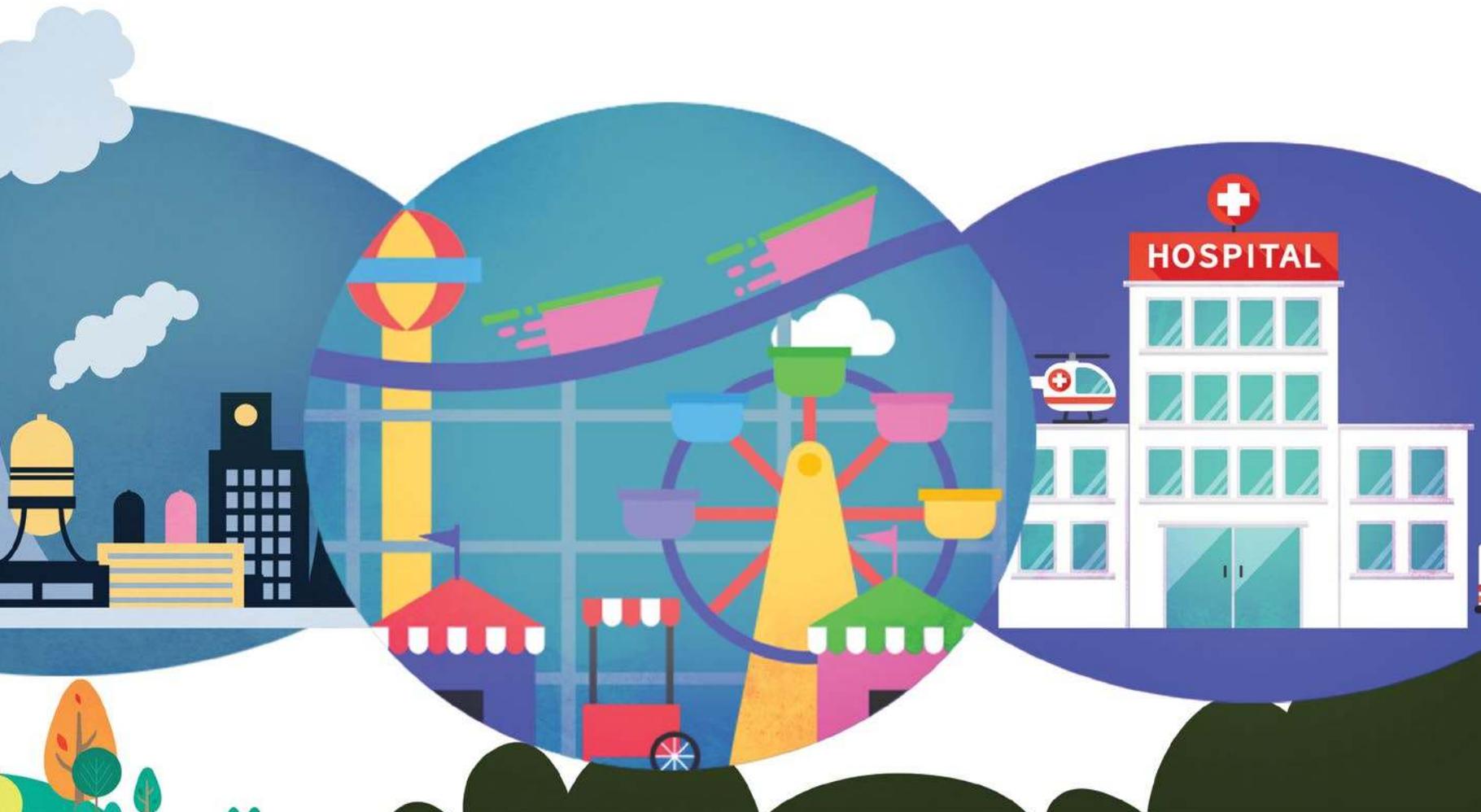
“And who are these investors, mama?” asked Abhay

“It can be anyone. People like you and me can invest our money in a business such as a cake shop. We can even choose to invest our money in other businesses such as a soap manufacturing company or a company which manufactures cement or steel. In fact, there are many different types of companies you can choose to invest in,” explained Vidya



Abhay did not say anything for the next few minutes. Vidya knew he was trying to understand this.

“So mama, investors invest money in business and they expect profits in return?” asked Abhay.



“Yes son! The higher the profits the business makes, the higher the amount of money the investors will earn,” said Vidya.

“If the business does not make any profit, then the investors will also not make any money. It is a risk that the business owners and the investors take together,” she continued

Vidya finally concluded, “Stock market is a common place where businesses in need of money meet investors with money.”



“This was so easy to understand. Why did papa not explain this to me earlier?” said Abhay

“Well, your papa thought you were too young to understand this, but he does not know that you are a smart young chap!” said Vidya



Abhay was happy, and he suddenly seemed to be in a great hurry, he said, "I have an important task to do now."

"What is the task and where are you running off to?"  
shouted Vidya



“I’m headed to Vivek’s house to tell him what papa really does!” said Abhay, with a huge smile on his face.





## The Cake Shop

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