

NOTES: MYBIZKID FINANCIAL LITERACY COURSE

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Introduction to finance

Definition of finance

- The purpose of finance is to help people save, manage, grow, and raise money.
- Finance is management, creation, and study of money.
- Finance is the creation of wealth & well being.

Financial Planning

- Financial planning is a systematic approach that helps you manage your money and expenses and plan for saving and investing

ASPECTS OF FINANCIAL PLANNING

- Savings
- Investing
- Financial protection (Insurance)
- Tax planning
- Retirement planning

Finance is majorly divided into three segments

- Personal Finance
- Corporate Finance
- Public Finance

Personal Finance

Savings

1. Track the things we spend on
2. Don't spend on these unwanted things
3. Decide your savings goal

Budgeting

1. A budget makes it easier to pay bills.
2. A budget puts a person on stronger financial footing.

Wise Way to Spend

- 50% to Need
- 30% to Wants
- 20% Contribution to Financial Goals

Now this rule is no longer applicable in current situation because of inflation so we need to follow :

RULE OF 20/80

- 20% Contribution to Financial Goals
- 80% Needs / wants

Investing

Investment is the outlay of money to grow it in the best possible manner.

WHAT IS STOCK MARKET ?

It refers to the public market that exists for issuing, buying and selling of stocks.

Different ways to Invest Money:

1. Mutual funds
2. Stock market
3. Gold
4. Real estate
5. Cryptocurrency

BANKS

WORKINGS OF A BANK-

Banks split the deposits into two parts **10% for reserves** & **90%** it uses to **provide loans** to different people.

WAYS THROUGH WHICH BANKS EARNS MONEY-

- It acts as a fund manager & takes commission for it.
- Takes higher interest on loan & gives less % on savings
- Bank charges & fees
- Promotional activities

TYPES OF BANK ACCOUNT

- Savings Accounts
- Current Accounts

RBI- Reserve Bank of India

Nation's central bank , issues currency notes and define responsibilities to all banks in INDIA

HOW TO OPEN AN ACCOUNT

Steps to open a Bank account

1. Visit a bank branch or apply online.

2. Fill a form with personal details - address, DOB, etc. with commitment to basic terms & conditions.

3. Submit documents of proof for KYC.

- Aadhaar card
- Photos
- Other as asked by bank

4. Wait for the bank to assess documents. Banks can take upto 2 days.

5. Collect your account details and debit card.

Concept of Debit & Credit Card

- Debit Card: Debit card deducts money directly from your bank account.
- Credit Card: Credit cards allow cardholders to borrow funds from the bank and pay back after a certain period of time.

Instrument (Cheque)

A cheque is a banking instrument you can issue to your bank, directing it to pay the specified amount mentioned in digits as well as words to the person whose name is written on the cheque.

Unified Payments Interface (UPI)

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), -merging several banking features.

UPI is a single platform that combines different financial services and features under one umbrella. UPI is a free mode of bank to bank fund transfers.

F.D. (FIXED DEPOSITS)

An account in which money is deposited for a fixed period of time is known as a Fixed Deposit account.

CORPORATE FINANCE

HOW BUSINESS EARN MONEY

A Revenue model is a framework for generating income. It identifies which revenue source to go with, what value to offer, how to price the value, and who pays for the value.

Types Of Revenue Models

- **Ad-Based Revenue Model:-** Ad-based revenue models entail creating ads for a specific website, service, app, or other product, and placing them on strategic, high-traffic channels.

- **Subscription Revenue Model:**-The subscription revenue model entails offering your customers a product or service that customers can pay for over a longer period of time, usually month to month, or even year to year.
- **Freemium model:**- “Freemium” is a business plan in which a company offers access to its product or services, such as a software product, for no charge to customers, but sets a licensing fee for premium features and functionality within a tier format.
- **Retail Sales:**- Retail sales entails setting up a traditional department store or retail store in which you offer physical goods to your customers and earn money.

SOURCES OF GETTING FINANCE- LOAN

A loan is a sum of money that one or more individuals or companies borrow from banks.

How to get loan

- Determine your requirement.
- Check loan eligibility.
- Calculate monthly instalments.
- Approach the bank.
- Submit documents.

Why Bank contact CIBIL?

·CIBIL collects credit history of consumers and maintains it in the form of Credit Information Reports, using credit information as obtained from Banks.

Ideal Credit Score

A credit score is a number from 300 to 850 that depicts a consumer's creditworthiness.

OTHER SOURCES OF GETTING FINANCE

- 3Fs(Friends, Family and Fellows)
- Bootstrapping
- Government Supported programs for start-ups
- Crowdfunding

Determining the Price of a product

PRICE

- Price is the term used to know the money value of a product/ service.
- It tells us how much money a product / service can be sold for.

PRICING

- Pricing is the process by which businesses set a price for the products/ services they want to sell in the market.
- Pricing includes the price of raw materials, cost of making the product, quality of the product, as well as some profit for the business.

Figure the Cost Price

- Raw material
- Machines
- Overhead cost
- Salary / wages
- Miscellaneous

How to reduce the C.P. of a product ?

- Negotiation
- Decreasing quantity (Budget)
- Priority list
- Priority list

Add the Profit Margin

- Calculating profit
- Calculating the competitor's pricing
- Meeting the market trend
- Your cost of effort (Time value)

Setting a Final Selling Price

- Selling price is the price at which sellers sell products/ services to buyers.
- It is also known as a list price, market price or sale price.

Relationship Between CP & SP

- Cost price is the price that has been paid by a business to make a product.
- Selling price is the price at which the business sells the product to a buyer.
 - ❖ If, Cost price is less than Selling price – Business is in profit.
 - ❖ If, Cost price is higher than Selling price – Business is at a loss.

Pricing Strategies

- Price Penetration
- Price Skimming
- Offer / Discounts-

Types of discount

- ❖ Buy one, get one free
 - ❖ Discount on early payment
 - ❖ Free shipping
 - ❖ Seasonal discounts
 - ❖ Quantity discount
-

Taxes

Definition of tax : Tax is an amount of money that you have to pay to the government so that it can pay for public services.

Different types of Taxes

- **Direct Tax-Income Tax :** Income tax is a tax charged on the annual income earned by an Individual, Business or Company. The amount of tax paid will depend on how much money you earn as income over a financial year.

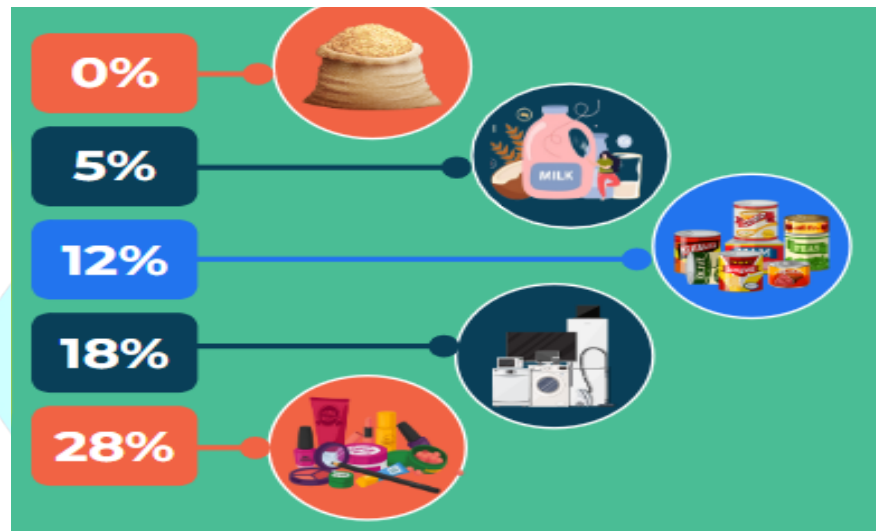
Net Income Range	Rate of Income Tax
Up to Rs. 3,00,000	-
Rs. 3,00,000 to Rs. 6,00,000	5%
Rs. 6,00,000 to Rs. 9,00,000	10%
Rs. 9,00,000 to Rs. 12,00,000	15%
Rs. 12,00,000 to Rs. 15,00,000	20%
Above Rs. 15,00,000	30%

No Tax up to Rs. 7,00,000 of income i.e. rebate of Rs. 25,000 or less.

Filing all the tax and income detail to government annually

- **Indirect Tax-GST(Goods and Service Tax) :** GST is a tax on goods and services sold domestically for consumption. Tax is included in the final price and paid by consumers at point of sale and passed to the government by the seller.

In India GST rate for various goods and services is divided into four slabs: they are 0% GST, 5% GST, 12% GST, 18% GST, & 28% GST.



Filing all details about sale and purchase made to the government

Cashflow & Type of expenses

FIXED EXPENSES: Fixed expenses are those expenses that stay the same regardless of your sales or business activity and can have a significant impact on your cash flow and budget.

VARIABLE EXPENSES: A variable cost is an expense that changes in accordance with production output or sales.

Cash flow statement : It is part of financial statement

Formulas

- Cash flow: cash in - cash out
- Cash in= income
- Cash out= expenses
- Closing balance= opening balance +/- cash flow

Profit/Loss Statement, Balance Sheet & Business Budget

Profit/Loss Statement: The profit and loss (P&L) statement is a financial statement that summarises the revenues, costs, and expenses incurred during a specified period.

Formulas

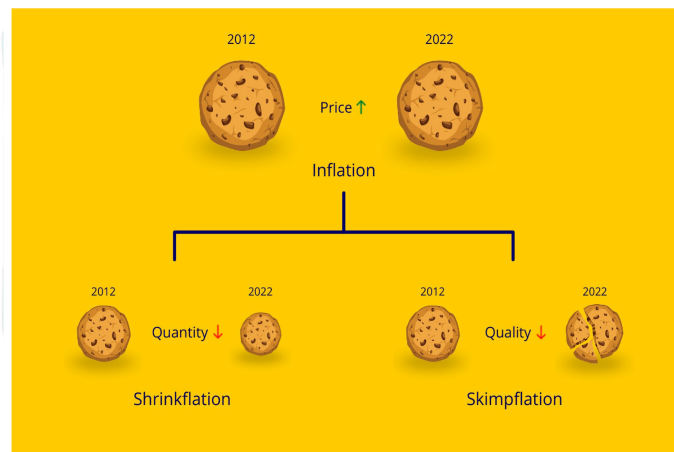
- Profit/loss = Income - Expenses
- Loss is represented by brackets ()

Balance Sheet: A balance sheet is a financial statement that reports a company's assets, liabilities

- **Assets:** Assets are things that you own, and can be sold to get money
Eg. Furniture, machinery, investments, land , building etc.
- **Liabilities:** liabilities are things that you owe someone
Eg. loan from bank, salaries, borrowings etc.

Effect of Inflation

- **Shrinkflation:** The art of reducing a product's size to maintain its price. Shrinkflation is when companies make their package smaller but continue to charge the same price.
Cadbury reduced the size of its larger bars from 200g to 180g.
- **Skimpflation:** when you pay the same amount but the quality has gone down, particularly when it comes to services.



WHY PETROL PRICES FLUCTUATES/CHANGES ?

- Petroleum is made up of crude oil which is a commodity of an international market.
- Change in the price of commodity i.e. Crude oil affects the price of petrol/diesel in our country.
- An increase in the price of crude oil means that would increase the cost of producing goods made up of crude oil.
- This price rise would finally be passed on to consumers resulting in Inflation.

RULE OF 70: This rule tells us about the impact of inflation on one's wealth.

$$70 / \text{Expected inflation rate} = \text{_____ years}$$

(when your wealth will be half)

Stock Market

COMPOUND INTEREST : *Compound interest' simply means earning interest on your savings, and also, eventually, on the interest that those savings earn. The earlier your child begins to save, the more compound interest they'll earn.*

HOW TO BUY & SELL SHARES IN STOCK MARKET?

- Open your Demat Account
- Save to cart
- How to Buy shares
- How to Sell shares

WHAT IS IPO ?

- It is the process by which a private company can go public.
- It is the process of offering or selling its shares on stock exchanges.

Steps to apply for an IPO

1. Open your demat account
2. Create your UPI id
3. Place your bid

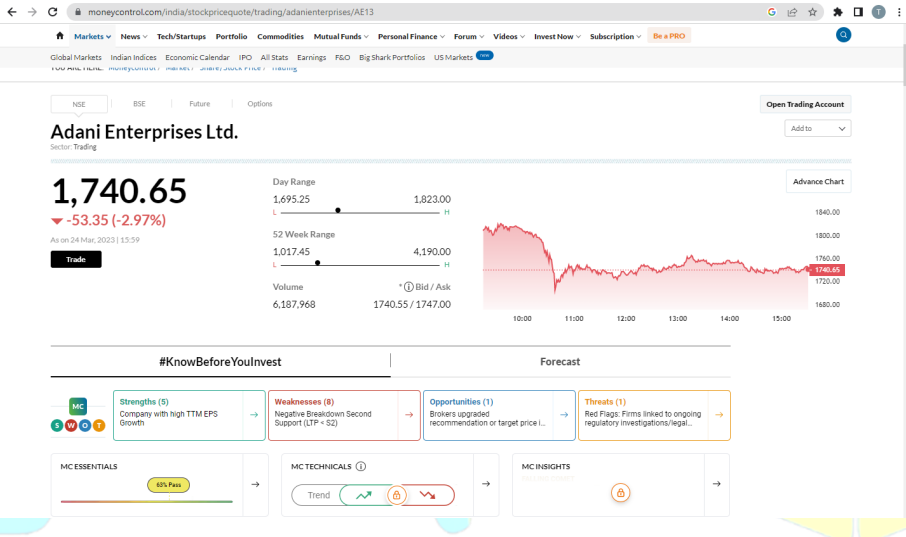
Purposes to launch IPO / Issue shares :-

- Nykaa
- boAt
- Burger KING
- Barbeque Nation

Stock exchange is a marketplace where securities and other financial instruments are traded.

- **National Stock Exchange & Bombay Stock Exchange** are most significantly used stock exchanges of india.

STOCK MARKET PRACTICAL THROUGH MONEY CONTROL



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