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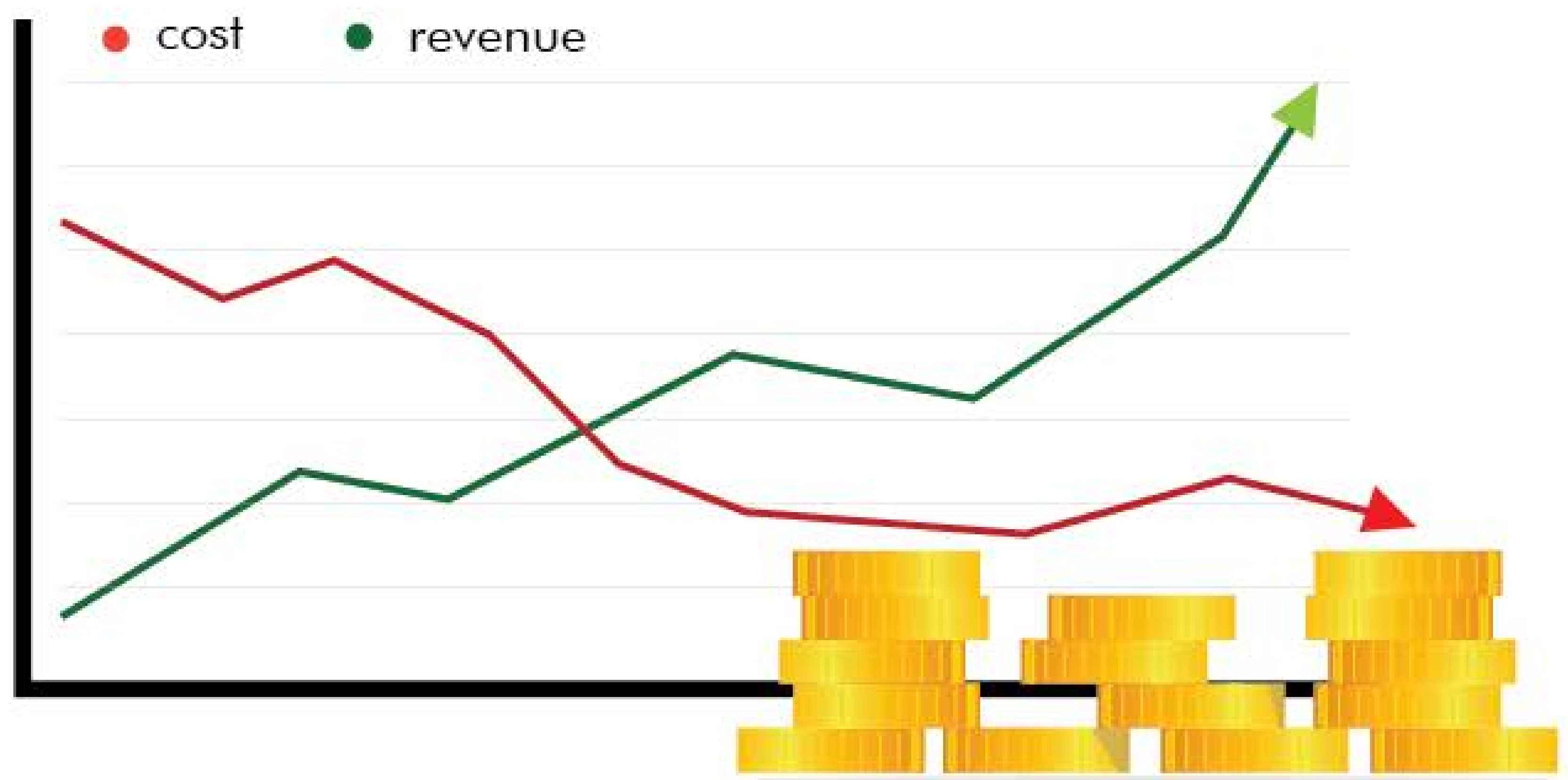
WHAT EXACTLY IS FINANCE?



Put simply, finance refers to the relationship between money inflow and outflow.
The ideal situation is for the inflow to exceed outflow.

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Having a basic understanding of finance requires the comprehension of some fundamental financial concepts. These include:

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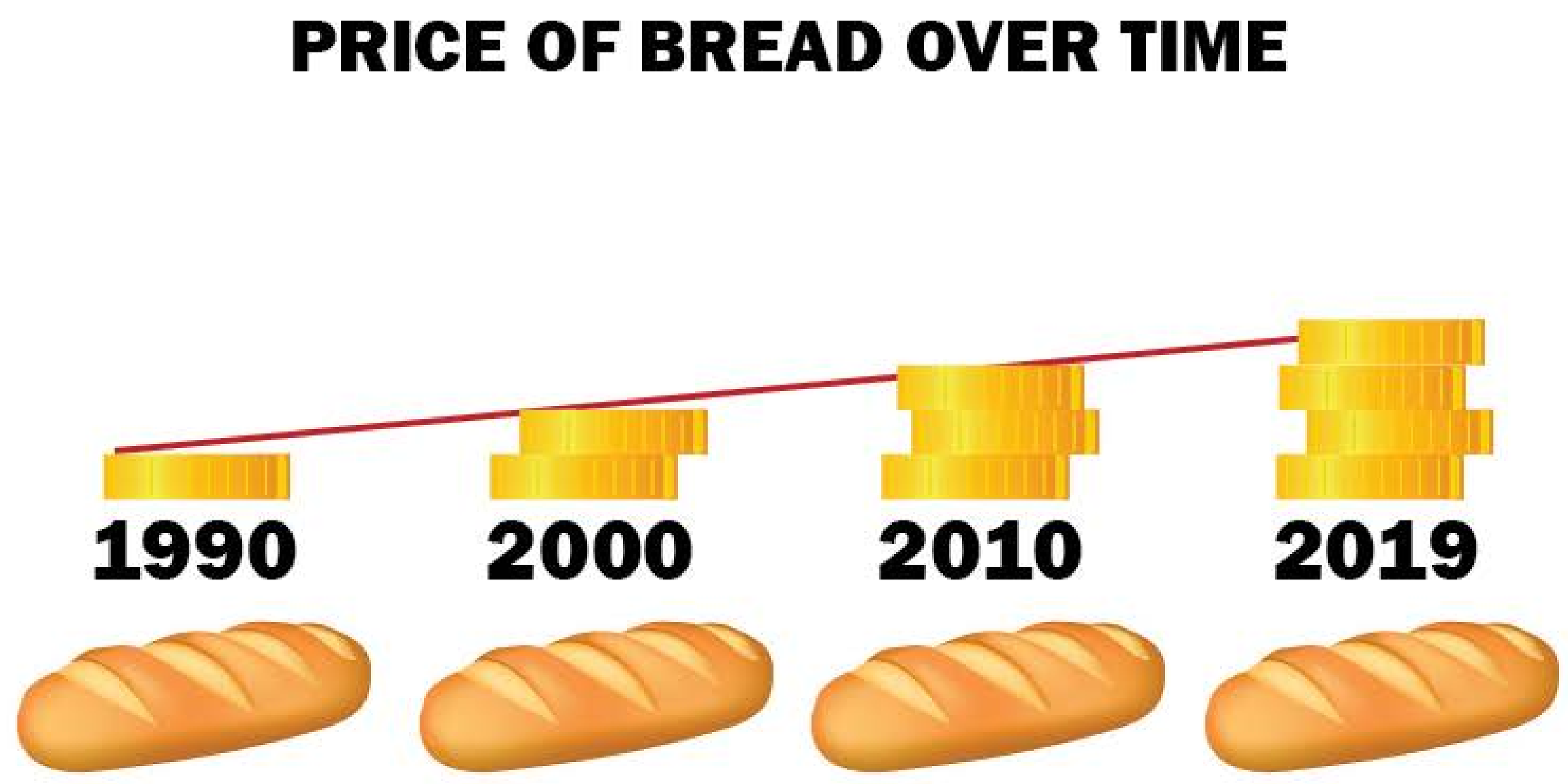
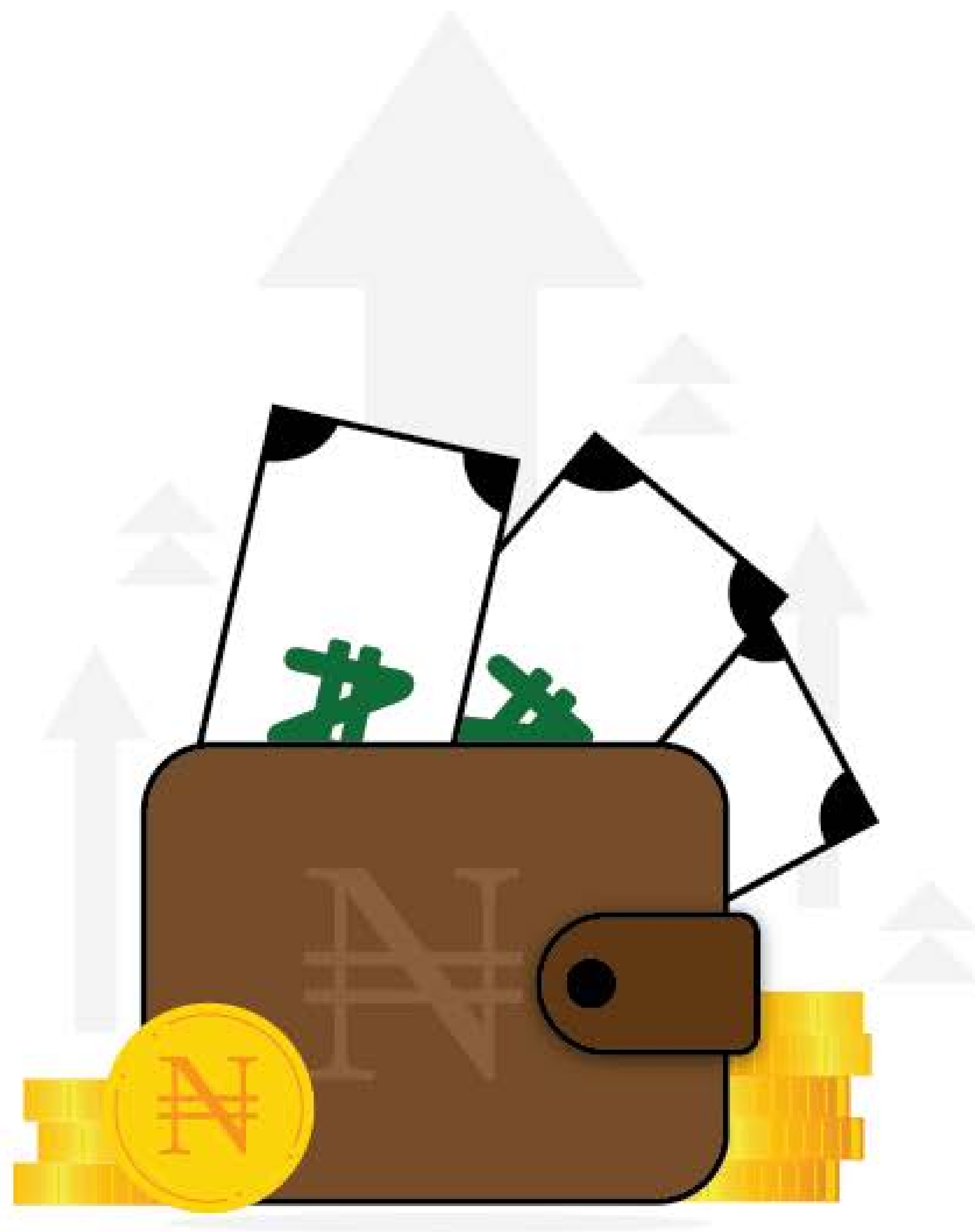


INFLATION

This shows you the rate at which the cost of things are increasing. Inflation affects the purchasing power and time value of money.

TIME VALUE OF MONEY

If inflation rate is 10%/yr, then by next year, you will need N110 to buy what N100 will buy today.
As a result, money earned today must be invested in ventures that will yield higher returns than the inflation rate.



REVENUE

This shows the total income generated within a specified period before costs and expenses are deducted.

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COSTS

This refers to the total money spent to run the business. There are several types of costs to be considered, some of which include: direct & indirect cost, sunk cost, variable cost, fixed cost, holding cost, opportunity cost etc.

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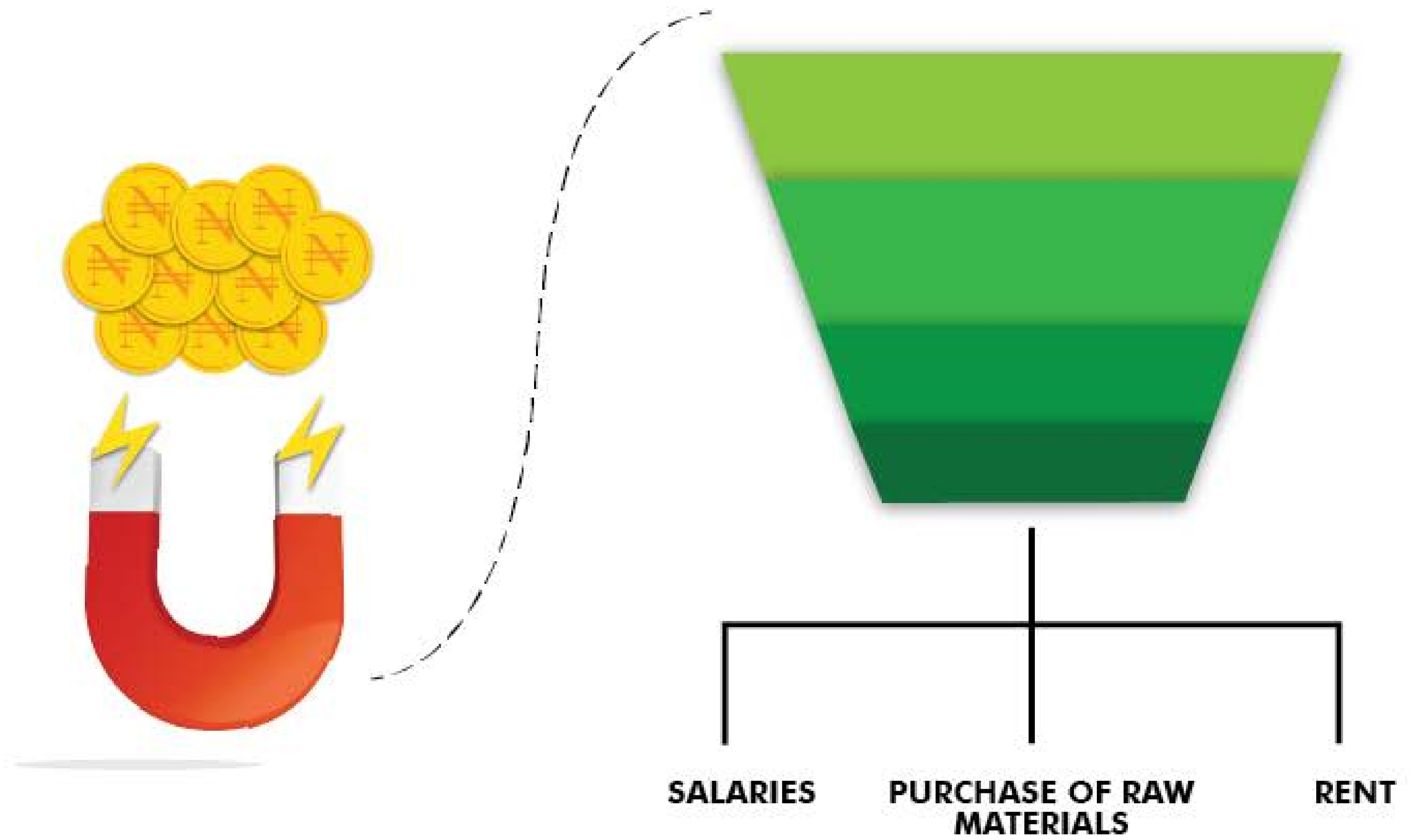

CASHFLOW

This is how you manage the cash that comes into your business. This is critical because not all sales bring in cash as they occur. Businesses need to balance cashflow appropriately in order to meet their cash needs.

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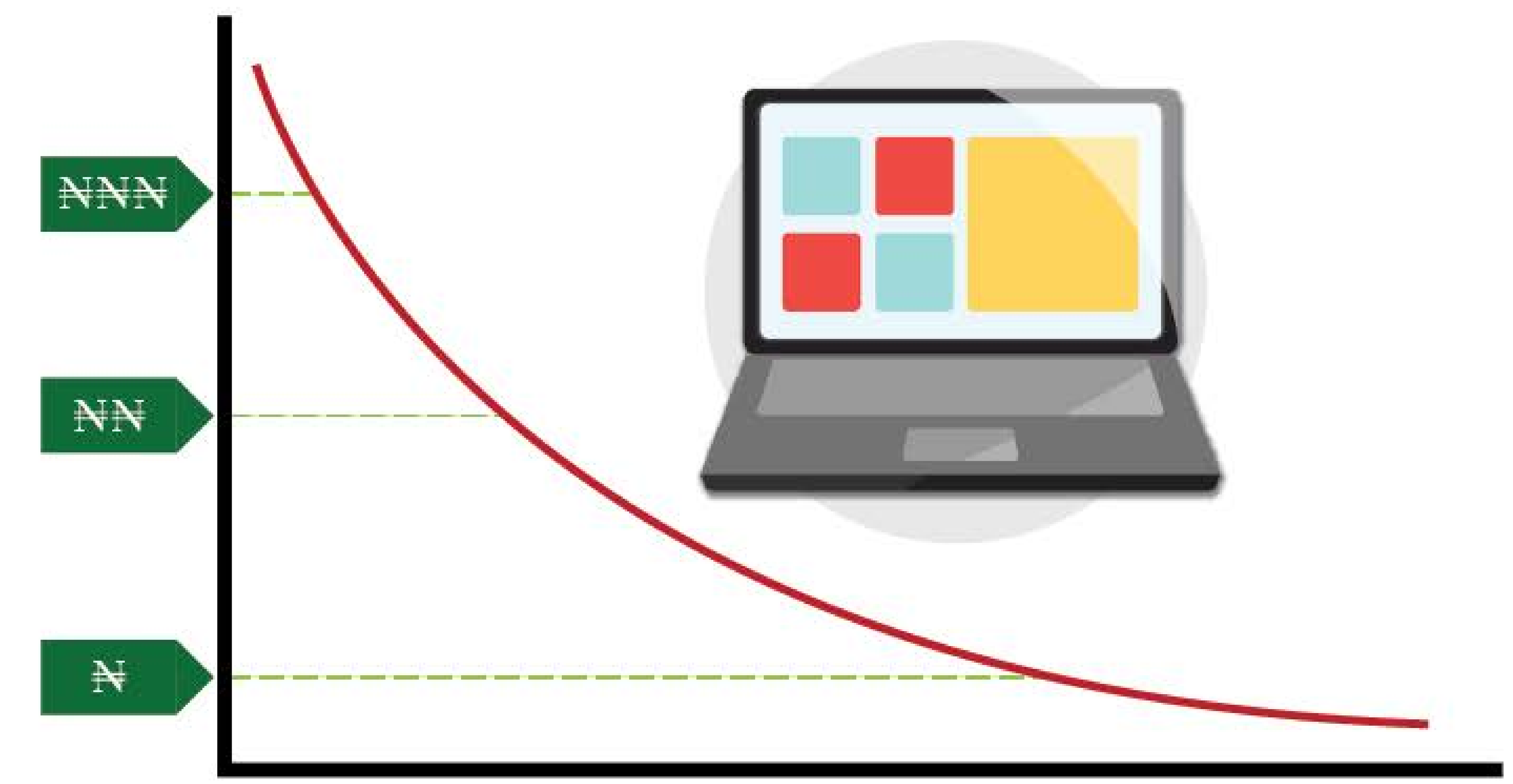

DEPRECIATION

This refers to the rate at which assets lose value over time. This loss of value may be due to wear and tear, rate of technological advancements, damage, obsolescence etc.

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