Economics

It is essential to look at all outflows of money; expenses etc.

*Fundamental ways to get money*

Make something and sell it

Manufacturing

Perform a service

Law, accounting, hairdressing

Grants

Research projects (science projects, generally 2 years), industry development (new businesses)

Government programs, public institutions

Employment

Work in a shop, office or factory

Government benefits

Own an asset that produces an income

e.g. a butter churn. This produces butter from milk.

Guard a source and charge for the use of it

e.g. a water well.

*Fees*

Hourly rates

Dollar fee per transaction/project

Royalties

Income each month into the future

License fees

Own intellectual property and charge for its use: music, computer software, book manuscripts.

*Effects*

Trade is generally a good thing (e.g shipping goods from one country to another), it benefits both parties.

Value is created when the asset is created, not when it is sold.

Wealth in non-cash forms has substantial effects however cash balances are also essential.

Examples:

Import items at $2 per unit

Sale to retail at $12 per unit

Costs $1 per unit

Profit $9 per unit

*Steps*

Put 90% of the effort into product development (i.e. better products) and 10% into marketing.

The aim of a settlement is to exchange the items without anything going wrong.

*Business structures*

*Trust*

A separate bank account to hold the assets of the business venture. Used to receive all the income and pay expenses from.

*Company*

Shareholders hold percentage shares of the company, e.g. 1000 shares of 100,000 shares total, representing 1% of the company. This shareholder would receive 1% of the profit that is distributed to shareholders.

Generally managed by 3 to 8 people involved in the venture, each given the title Director.

Shares may be sold to other parties. In this case the money goes to the previous owner of the shares.

New shares may be created by adding entries to the company share register. This is known as issuing shares and the shares are generally issued in exchange for money, which goes into the company accounts, e.g. shares issued at $2.30 per share when the current share price is $2.40 per share ( a small discount to encourage interest). Viewed as buying shares, investing in the company, or buying a percentage of the company.

Major industries

Retail

Selling items to the general public

Manufacturing’

All physical man-made items

Construction

Buildings

Agriculture

Farming, commercial fishing

Services

Education, travel (airlines, hotels)