Financial planning: D1 – D7

This chapter is about recognizing the importance, necessity and effectiveness of orderly financial planning. Knowledge of terminologies, economic and time-related contexts as well as practice-oriented training tasks improve the quality of setting up personal financial planning. This includes all cash flows such as income and expenses that are necessary to participate in daily economic and payment transactions.

- ## What are financial resources?

Your funds (means of payment) are all your money in cash and in your bank account. The cash and cash equivalents indicate how much money is available at any given time.

- ## What are income and expenses?

How much funding individuals and companies have at their disposal depends on their income and expenses.

- ## What is income?

Income is an inflow of financial resources.

- ## What are expenses?

Expenses are an outflow of funds.

	Income	Expenses
Individuals	e.g. Pocket money, wages, salary, interest from savings books Family allowance	e.g. for food and drink, clothing, housing, sports, rent, electricity food, water, private health insurance, propellant costs for the private car
Enterprise	e.g. through the sale of goods and services (haircut, consulting, etc.) , subsidies for companies.	e.g. for goods, material, personnel, advertising, fire insurance for the company, fuel costs for a company truck.

- ## What are the benefits of a budget book?

As a private individual, you have the opportunity to record your income and expenses in a **budget book**.

With a **budget book**, you keep track of your income and expenses. In the budget book, revenue and expenditure are recorded in chronological order. In this way, they can be controlled and better planned. Your income and expenses will rarely be the same. Therefore, at the end of the month, when compared (balance), there is either a need or a surplus.

What is a balance?

The difference between income and expenditure results in the balance. The balance indicates whether there is a financial need or a financial surplus.

What is a financial need or a financial surplus?

Financial Need	Financial Surplus
If the revenue is less than the expenditure → **NEGATIVE BALANCE**	**If the revenue is more than the expenditure** → **POSITIVE BALANCE**

What is a financial plan?

On the basis of the budget book, a financial plan is drawn up for the next month: the **budget**. In the financial plan, the planned income is compared with the planned expenses. So you can determine in advance how much money you need or whether money is left.

In a company, **financial plans** are of great importance. Companies must be solvent at all times and can react quickly to a financial need or surplus on the basis of a financial plan.

How can the need for financial resources be covered or how can the surplus be used optimally?

Adjustment measures in the case **of financial needs**: revenue < expenditure	Adjustment measures in the case **of a financial surplus**: revenue > expenditure
• Spend less • Earn more • Sell assets (e.g. car, gold, jewellery, buildings) • Take out a loan • Depositing the entrepreneur's private money • Cancel savings	• Take money into the next period • Put money in the savings book • Acquire assets (e.g. car, gold, jewelry, buildings) • Re-payment of loans • Use money for the private needs of the entrepreneur

- **What is the content of a business plan?**

A business plan is a written business concept. It contains all information about the planned company and shows all steps up to the implementation of the business idea!

1. Business
2. Objectives of the company
3. Market orientation
    a) Market and possible clientele
    b) Target groups
    c) Competition
    d) Marketing concept
4. Organization of the company, employees, partners
5. Financing
6. Summary

- **What is equity?**

  This is money that is available to the entrepreneur himself, such as.B cash, savings, securities, etc.

- **What is debt?**

  This is money that is only lent to the company, i.g. debts of the company, e.g. a loan from the bank