Introduction to Finance (Basics)

1. Corporations
   1. Contains most wealth in society
   2. Invest in building , roads etc.. 🡪 flow of money
2. Financial Statements and Analysis
   1. Its like a resume of the company
      1. If we need to know how good its since last months , we can simply see the financial statements and understand
   2. **Balance sheet**
   3. **Income statement**
   4. **Cashflow statement**
3. Time value of money

**Business Form**

Decides which income tax return you need to file and how much liability protection. 3 most important forms

1. Sole proprietorship
   1. Single person is owner , he only runs the business
   2. Best structure for business
   3. Ex: bakeries , barber, restaurants…
   4. No need for large amount to start.
   5. **Walgreens company ( included in DOW Jones industrial average in 2018)**
   6. **Advantages**
      1. Easy, inexpensive
      2. Not lot of paperwork is involved
      3. License not strict
         1. Ex: for liquor we need license , but for this one , its not really needed
      4. Complete control , no need to consult , quick decision , easy changes
      5. Taxes , no separate taxes. All profits are yours
   7. **Disadvantages**
      1. Unlimited personal liability
      2. Lawsuits coming only to you
      3. If business is broke , then you need to take in all the expenses
      4. Limited life , life of company is linked to life of owner. Owner quits , sells , dies , business dies
      5. Difficult to obtain money , banks are hesitant to lend money.. cos if business fails , then only one person needs to pay entire amount and there is a risk if he is unable to do so.
      6. Borrowing from family members in case of losses
   8. Statistics
      1. 1-10 no. of people employed
2. Partnership
   1. 2 or more people own a business together.
   2. Agreement between partners , split profits
3. Corporation