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# Rudimentary Knowledge in Economics, Finance, Accounting and Benefits

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## ABSTRACT
Rudimentary information on finance is essential as it helps one in making decisions regarding the allocation of funds. Through finance, it is possible to make decisions on what, where, and when to spend. For example, finance helps individuals to make capital budgeting decisions and choose projects with maximum returns. In addition, finance knowledge can also help evaluate the best funding strategies.

***Keywords:*** economics; finance; accounting; benefits; financial intelligence

## INTRODUCTION
Economics is the study of how individuals allocate resources under scarcity to satisfy their needs and wants. Scarcity means the resources are limited, and the wants and needs of individuals exceed the goods and services available. For example, resources such as labor, land, capital, and raw materials are in scarce supply and are necessary for producing goods and services. Time is another scarce resource, whereby every person only has 24 hours to accomplish what they want (Plain Prep, 2013).

Rudimentary information in economics is essential in various ways. For example, the knowledge of economics is crucial since it can help one make rational decisions that will maximize their benefits and minimize costs. Applying economics can help one judge the usefulness of items compared to similar items and choose those that provide the most significant benefits at the lowest costs. Also, it can help one to understand how to produce goods and services at the lowest price and maximize profits. Studying economics can also help one know macroeconomic factors such as unemployment, taxation, interest rates, and how they affect business and individuals (NotePirate, 2013).

Accounting is the process of recording, summarizing, and helpfully presenting financial information. It is divided into three main parts, including operating information, financial information, and managerial information. Operating information involves day-to-day transactions, such as paying the employees and suppliers and those involving sales. Managing data is vital in generating financial and organizational information. Financial information consists of recording financial data and performance of an organization and creating financial statements, which include the balance sheet, statement of cash flow, and income statement. Financial information is essential to the company's stakeholders, such as the shareholders and creditors; it helps them analyze a company's performance and financial health and make decisions relating to lending and investing, among others (SuperfastCPA, 2011).

Rudimentary information in accounting is vital in one's personal life and business. With knowledge of accounting, one can track income, expenditures, assets, and liabilities. When managing a business and making investment decisions, one can understand the financial statements and make appropriate decisions. The income statement can, for example, help one to know whether a business is making losses or profits; the balance sheet can help one understand the financial position, including the assets, liabilities, and shareholders' equity. The cash flow statement can help one understand how an organization can generate and spend cash (NotePirate, 2013).

Finance refers to the study of how investors allocate funds during certain and uncertain times. One of the critical aspects affecting financial decisions is time value for money, whereby a dollar today is worth more than a dollar tomorrow. Through finance, it is possible to determine whether an investment is good or bad through analyzing the potential risks and calculating the profits. The branches of finance include public, corporate, and personal finance. Public finance involves studying the government's role in an economy, such as providing public goods, designing taxation, and affecting market failures and success. Corporate finance is a division in finance that involves the monetary decisions businesses make to maximize shareholder value. Finally, personal finance consists of managing an individual's money, saving, and investing (Menteonlearning, 2012).

## HOW AN UNDERSTANDING OF ECONOMICS, ACCOUNTING AND FINANCE CAN BE HELPFUL FOR THOSE NOT WORKING IN FINANCE ACCOUNTING OR ECONOMICS
The knowledge of finance, accounting, and economics is essential even when one is not working in these fields. With this knowledge, individuals can effectively manage their finances and make crucial decisions on spending, saving, and investing. With the understanding of economics, it is possible to make rational decisions on minimizing costs and maximizing revenues and profits on investments. With the knowledge in accounting, it is possible to understand assets, liabilities, payments, and incomes, both personal and in business. With finance knowledge, one can evaluate the best investments to invest in, understand the best financing options, and whether the assets give enough returns (NotePirate, 2013).

## TEN POTENTIAL USES OF THIS KNOWLEDGE IN A PROFESSIONAL MEDICAL DOCTOR CAREER AND A PLANNED ENDEAVOR

As a physician and a potential future investor and business owner, knowledge in economics, accounting, and finance is, in my opinion, a necessity. Firstly, the knowledge of economics can help one in budgeting when it comes to private practice by minimizing costs and maximizing revenues and profits. It can help a physician make rational decisions when it comes to investing and spending, and one can conduct analyses that can help use the minimum costs to reap maximum benefits. Secondly, knowledge in economics can help one understand the macroeconomic factors affecting the country, such as unemployment, taxation, depression, inflation, and money supply, among others. This knowledge can help a physician adjust their lifestyle accordingly and save and invest at the right time to avoid frustrations (NotePirate, 2013).

The third potential use of the knowledge is that finance knowledge can help a physician become an investor, whereby they will choose the investment with the highest return through capital budgeting. Fourthly, finance knowledge can assist physicians in capital planning. They will determine the financing strategies that can minimize the cost of capital, whether it is shares or long-term debts, among others. Fifthly, even as a physician, having some knowledge in finance can help one analyze the risks that may be involved in certain investments. Since financial decisions in the health sector and other investments involve huge risks, finance can properly evaluate risks to avoid investing in highly risky assets, leading to huge losses. Sixthly, by having finance knowledge, as a physician, one can identify the companies with the highest return potential and choose one that will likely bring in the highest dividends in the future. Seventhly, finance knowledge can help one understand issues such as dividend policies and help them invest in the company with the best dividend policy (NotePirate, 2013).

Eighthly, if one starts a private company, such as a private clinic, knowledge of accounting principles can help to understand the company's financial position, analyze how well the business is performing, and compare it with competitors. Accounting knowledge can also help one know the business's liquidity and whether the company is a going concern or getting bankrupt. Finally, as an investor, accounting can help understand the financial reports and statements, such as the balance sheet, income, and statement of cash flow, in determining the performance and profitability of the business (NotePirate, 2013).

## MEANING OF FINANCIAL INTELLIGENCE

Financial intelligence involves understanding the basics and the advances of financial information, including profitability, liquidity, leverage, and efficiency, among others. A financially intelligent person understands the difference between cash and profit, liabilities, assets, and equity and can also analyze and interpret the financial ratios. Besides, financial intelligence involves understanding the assumptions made when preparing financial statements and how these assumptions can affect financial results. Through financial intelligence, the decision-makers can understand the meaning of numbers when placed in the context of competitors, economy, and regulations, among others (Learnaccountingfast, 2012).

## FINANCIAL STATEMENT ANALYSIS

Financial statement analysis involves analyzing financial statements, including the balance sheet and income statement, to understand the economic situation of an organization. Financial analysis helps the decision-makers observe trends to see how an organization is performing and create trend lines of revenues, cash, account receivables, debt, and net profit, among other items. Financial statement analysis also entails calculating the financial ratios, which give insights on a firm's profitability, operational efficiency, and liquidity, among others (SuperfastCPA, 2011).

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