



BASICS OF ECONOMICS & FINANCE

“Wisdom is the principal thing; *Therefore* get wisdom. And in all your getting, get understanding”

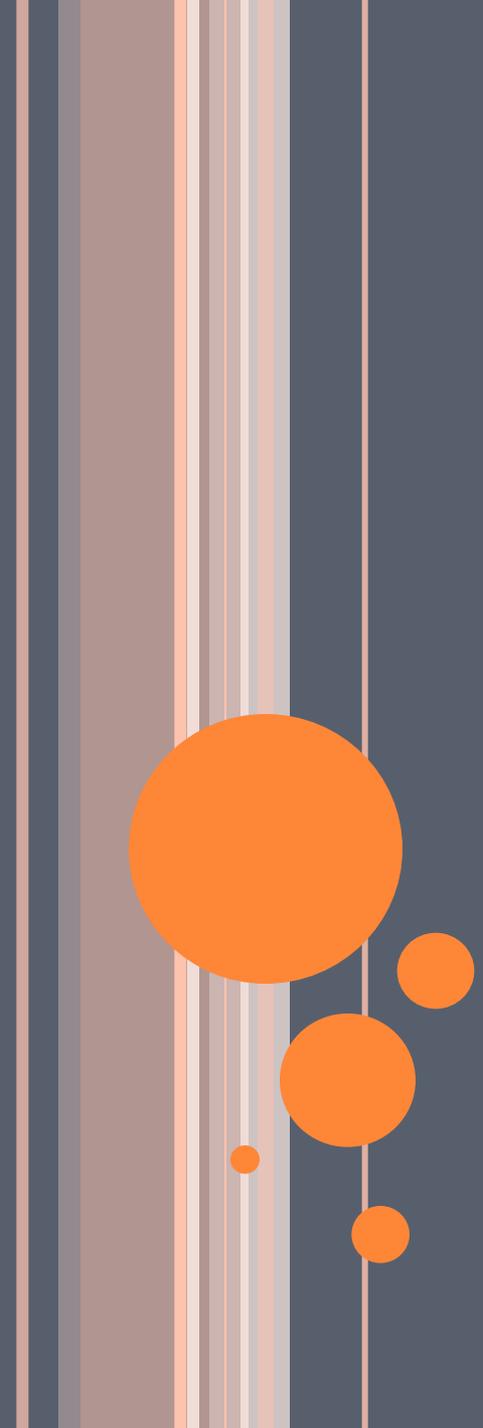
King Solomon (Proverbs 4:7)

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ECONOMICS



Macroeconomics
Microeconomics

THE ECONOMY

ECONOMICS

Household management

FINANCE

branch of economics concerned with resource allocation as well as resource management, acquisition and investment

ACCOUNTING

A systematic process of identifying, recording, measuring, classifying, verifying, summarizing, interpreting and communicating financial information



SOME KEY DEFINITIONS

- **Economics:** study of how to solve the *Economic Problem*: ‘How to satisfy unlimited wants with **limited** resources.’
- **Poverty:** state of being inferior in quality or insufficient in amount
- **Budget:** plan for allocating resources: a plan specifying how resources, especially time or money, will be allocated or spent during a particular period
- **Macroeconomics-** A branch of economics dealing with the performance, structure, behaviour, and decision-making of an economy as a whole, rather than individual markets
- **Microeconomics-** studies the behaviour of individual households and firms in making decisions on the allocation of limited resources

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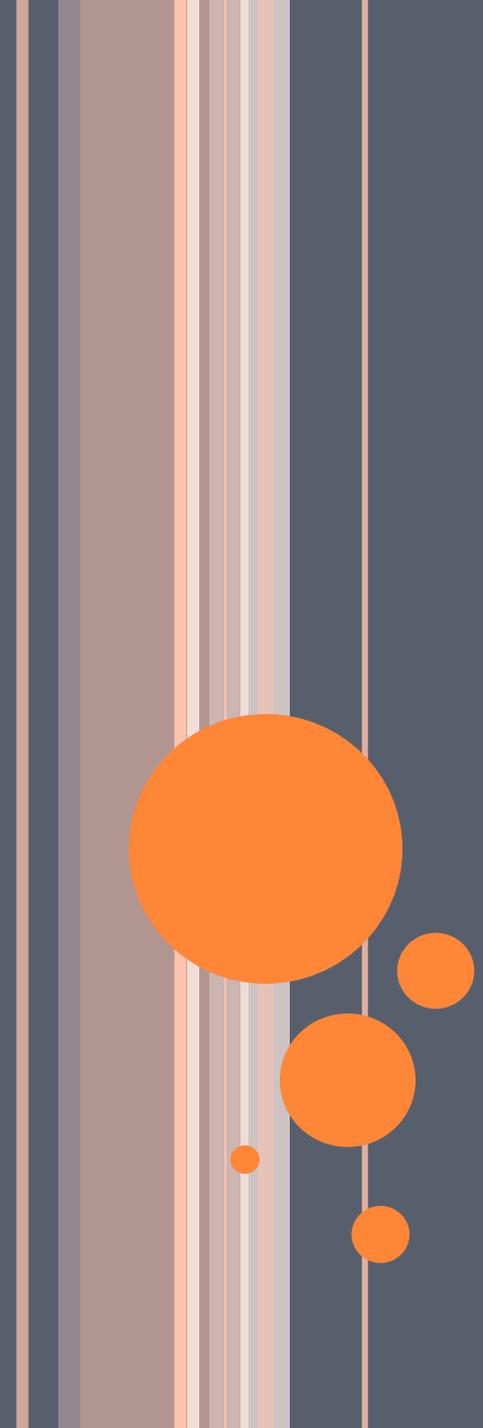
- **Stock** – economic variable measured at a point in time (accumulated in the past)
- **Flows**- economic variable measured over a period of time or per unit of time
- **Income (I)**- inflow of financial resources into your account
- **Expenditure (E)**- outflow of financial resources from your account



DEMAND AND SUPPLY

- Determination of production and impact on price of goods & services
- Allocation of resources
- Production of goods (products) required by society
- Interplay of Demand (D), Supply (S) and Price (P)
 - Shortages arise when $D > S$
 - Surplus arise when $D < S$
 - When $D > S$; $P \uparrow$
 - When $D < S$; $P \downarrow$





ECONOMIC PROBLEM

NEEDS & WANTS

Need

something which is required for human survival and well being

e.g of basic needs; food, shelter, clothing, good health

Want

things which are 'nice to have' but not necessarily required for survival

Examples

You **need** food (a proper meal) but you **want** fast food

You **need** clothes, but you **want** a Gucci/ Polo branded item



CHOICE AND OPPORTUNITY COST

- A resource (time, money, effort etc) spent on one activity/product can not be used for something else (*opportunity cost*)
- Illustrations from the Bible
 - Adam & Eve (driven out of Garden of Eden)
 - Esau (lost his birth right for bowl of lentils)
 - Judas (once 'transaction' had happened it was not reversible)
 - Joseph (saw it better to suffer in prison)
 - Jesus (endured the pain of the cross for the joy set before Him)



CONTENTMENT IN CULTURE OF CONSUMERISM

- *“We live, that is, with an imagination dominated by a pervasive sense of scarcity, far more aware of what we don’t have – and therefore should go out and buy – than what we do. No wonder so many people are unhappy. We are consumed by what we lack instead of grateful for our abundance. We are driven to get “more” instead of content to celebrate “enough.” And we measure ourselves against our deficits instead of glorying in our gifts and blessings“* (Rev T Knoll, 2011)
- Godliness with contentment is great gain 1 Timothy 6:6

Source:

http://articles.washingtonpost.com/2011-11-10/local/35280903_1_psalms-blessings-shepherd



COUNTERS FOR SCARCITY MENTALITY

- Psalm 24:1 (NKJV)
 - The earth is the Lord's and the **fullness** thereof...
- 2 Peter 1:3-8 (NKJV)
 - God has given us **all** things that *pertain to life* and godliness
- Philippians 4:19 (NKJV)
 - God shall supply **all** your need, according to His riches in glory by Christ Jesus
- Matthew 6:33 (NKJV)
 - Seek first the Kingdom of God and its righteousness and **all** *that you seek*, will be *added* unto you
- Psalm 23:1
 - The LORD is my shepherd; I shall not want (KJV);
 - The LORD is my shepherd, I lack nothing (NIV)

*NB: own ***emphasis in italics and bold***



ACCOUNTING

*Be diligent to know **the state** of your flocks, and attend to your herds; for riches are not forever . . .” (Proverbs 27:23-24).*

“For which of you intending to build a tower, does not sit down **fstir** and count the cost, whether he has enough to finish it, lest after he has laid the foundation, and is not able to finish, all who see it begin to mock him, saying, ‘This man began to build and was not able to finish’? (Luke 14:28-30)

BUDGETING: INCOME AND EXPENDITURE

○ Income (I)

- Salary
- Wages
- Receipts from trading*
- etc...

○ Expenditure (E)

- Tithe (+ve)
- Offering (+ve)
- Rent & electricity
- Food
- Transport
- Saving (+ve or -ve)
- Investment (+ve)
- Entertainment
- Airtime
- etc...

Budget surplus: $I > E$

Budget deficit (debt): $I < E$

In order to increase I you need to

- develop more income streams & keep **E** constant √√
- develop more income streams & reduce **E** √√√ ☺
- keep I constant and reduce **E** √

*Luke 19:12- 23 v15: nobleman wanted to know how much each servant had gained by *trading*. v16- 1000% return; v18- 500% return



SAVING

- Saving- placing money in an account with aim of accumulating interest on the principal amount
- income is greater than expenditure
- Savings are a stock i.e. accumulated resource at a point in time
- Savings are referred to as lazy money because they are exactly that, money will be sitting and not doing anything- and you are penalised
- Money in the world economy is meant to keep circulating in order for economic transactions to occur



SIMPLE & COMPOUND INTEREST

- **Simple interest**

Interest is calculated based on the principal/initial amount i.e. if 5% interest per month on R100 you will get **R5** ($R100 \times 5/100$) each time and it is added onto the R100. So if you go withdraw the amount after a year (12 months) you will get $R100 + (R5 \times 12) = \mathbf{R160}$

- ***Compound interest**

Interest is calculated based on the principal amount + the interest.

Using the same example as above for the

1st month the interest will be **R5**;

2nd month it is calculated as follows $5\% \times (R100 + R5) = \mathbf{R5.25}$;

3rd month $5\% \times (R100 + 5 + 5.25) = \mathbf{R5.51...}$

at the end of the year the full amount will be **R179** ($100 \times (1.05)^{12}$);

weekly compounding = $100 \times ((1.05)^{52}) = \mathbf{R1,264}$

daily compounding = $100 \times ((1.05)^{365}) = \mathbf{R5,421}$

hourly compounding = $100 \times ((1.05)^{8760}) = \mathbf{R4.152...E+187}$ ☺

*NB- rates are illustrative; example based on monthly compounding



REAL RETURNS

- Inflation- measure of the rate of increase in price levels
- Time value of money- e.g. R100 last year this time different from today in terms of what you can buy

+ Real Example

Annual Inflation Rate for 2012: **5.71%**

Bank (B) interest rates on 1 year fixed deposit

Bank	Rate(%)	*Real Rate (%)
B1	5.75	0.04
B2	5.74	0.03
B3	5.57	(0.14)
B4	5.17	(0.54)
B5	5.15	(0.56)
B6	4.73	(0.98)

*NB: this is illustrative, the interest rates are for 2013 for a balance of **R10,000 to R99,999**. Bracket denotes a negative figure. B1-6 are real banks

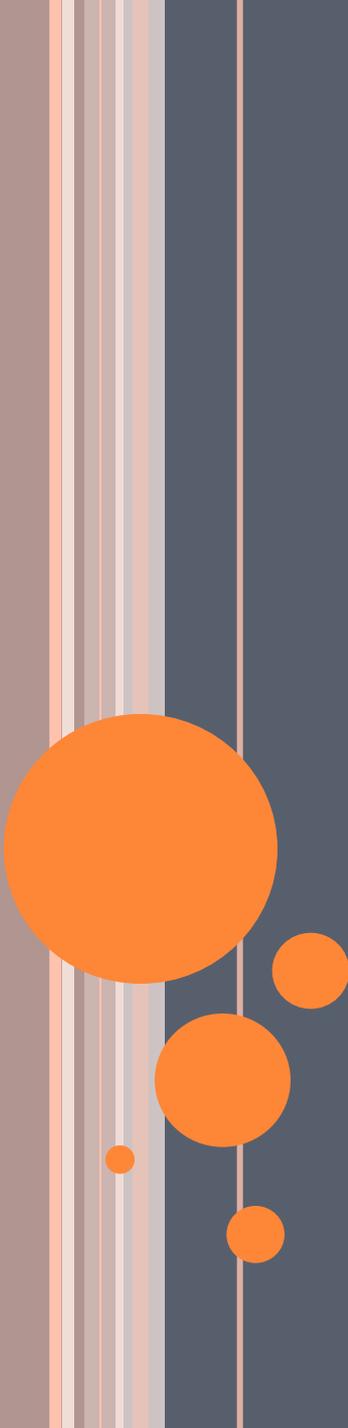
+ Source: www.south-africa.deposits.org

INVESTMENTS

- Principle of the fifth (20%)
 - 10% tithe to God
 - 10% for you
- Giving to the less fortunate
 - Tabitha/Dorcas- her return on investment was a new lease of life
 - Matthew 6:19-21
- Investing – using a resource in order to generate a return (i.e. Getting money to work for you)
 - Equities/stocks/shares
 - Unit trusts
 - Property
 - Bonds
 - Pension fund
 - Annuities etc
- Other Investment vehicles (i.e. art, precious stones etc)
- Important to note:
 - Diversification, Risk appetite, Costs, Timelines, Liquidity required etc



CONCLUSION



**We are God's stewards
Luke 16:10, Luke 19:17**

**“But he does of the word, and not hearers only,
deceiving yourselves.” (James 1:22 NKJV)**

World System

- Scarcity
- Money is the currency
- Never reaching satiety
- Culture of dissatisfaction

- Things made complex in order to close out people
- Market feeds on people's ignorance
 - Hidden clauses, legalese etc

- Self-centred (feed, clothe , refresh yourself etc)
- Accumulate by hoarding
- Invest in earthly possessions

Kingdom System

- Abundance (John 10:10)
 - Faith is the currency (Isaiah 55:1-2)
 - Learn to be content (Philippians 4:12)
 - Godliness with contentment is great gain (1 Timothy 6:6)
 - God uses the foolish things (1 Cor 1:26-29)
 - God's people perish for lack of knowledge (Hosea 4:6)
 - He who refreshes others will himself be refreshed (Proverbs 11:25)
 - Accumulate by giving (Luke 6:38)
 - Invest in the Kingdom (God's work, people, the poor and downtrodden)
- 

CALL TO ACTION

- “Do not conform to the *pattern of this world*, but be transformed by the renewing of your mind. Then you will be able to test and approve what *God’s will* is- his good, pleasing and perfect will.” (Romans 12:2 NIV)
 - world = cosmos (Gk) = order of influence
- “...For the earnest expectation of the creation eagerly waits for the revealing of the sons of God.” (Romans 8:19 [read 18-30] NKJV)
- Servant in the parable of the talents (Matthew 25:14-30) was called ***wicked and lazy*** because of not using the factors of production which were at his disposal i.e.
 - Capital (the talents),
 - Entrepreneurship (ability to utilise resources to obtain a return),
 - Labour (his own effort or others) and
 - Land (he did get somewhere to dig and hide the money so it was there)



REST, RESTORATION AND RELEASE

- Kingdom= *King* + *dom* (king and domain)
- Garden of Eden was Adam & Eve's domain
 - Genesis 1:28-30; 2:8
- Luke 19:10 Christ came to seek and to save that *which* was lost
 - Relationship between God and man
 - Relationship between man and man
 - Relationship between man and resources
- We come to find ***rest*** in God, to be ***restored*** to God's original intent & purpose for our lives and to be ***released*** into our domain
- Access trumps ownership



A.S.K!

- Ask and you will receive
- Seek and you shall find
- **K**nock and the door shall be opened for you

John 16:24 (NIV)

“Until now you have not asked for anything in my name. **Ask** and you will receive, and *your joy will be complete*”

2 Corinthians 1:20 (NIV)

For no matter how many promises God has made, they are "Yes" in Christ. And so through him the "Amen" is spoken *by us* to the glory of God.



THE END OF THE MATTER

- Ecclesiastes 14:13
 - All has been heard; the end of the matter is: Fear God [revere and worship Him, knowing that He is] and keep His commandments, for this is the whole of man [the full original purpose of his creation, the object of God's providence, the root of character, the foundation of all happiness, the adjustment of to all inharmonious circumstances and conditions under the sun] and the whole [duty] for every man. (AMP)



THANK YOU

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USEFUL RESOURCES

- *“A blueprint for handling divine provision”*- Ps Tshalo (2013 series)
- *“You’ve got to become a diamond”* - Ps Tshalo (2012 series)
- *“A little capital that can make a difference”*- Ps Tshalo (2011 series)
- *“Stepping into supernatural divine provision”*- Ps Tshalo (sermon)
- *“Keys to true blessedness”*- Ps Tshalo (9 August 2009)
- *“Rediscovering the Kingdom”* – Dr Myles Munroe (sermon & book)
- *“Can you stand to be blessed?”*- Bishop TD Jakes (book)
- *“Invading the Babylonian system”*- Bishop Dr JB Nwaka (book)
- *“Occupy till I come”*- Bishop Dr JB Nwaka (book)
- *“The most important Person on earth”*- Dr Myles Munroe (book)
- *“4th dimensional living in a 3 dimensional world”*- Dr Yong-Gi Cho
- *“The money secret”*- Rob Parsons (book)
- *“Rich dad, poor dad”*- Robert Kiyosaki (book)
- *“Think Big”*- Dr Ben Carson (book)
- *“Occupying the land”*- Ps Thabo Masenya (sermon 2009)

