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The Importance of Financial Literacy for Entrepreneurs

E.M. Erasmus, MA
July 01, 2023

Learning - Empowering - Succeeding



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Welcome and Thank You!

INTRODUCTION



E.M. ERASMUS, MA



Background & Education:

- Accounting & Finance
- Treasury & Risk Management
- Management and Organization Sciences
- Int'l Project Management Certification
- Advanced Analytics Certification
- Certified Trainer

Professional fields:

- Accounting & Control
- Treasury
- Financial Management
- Operations

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THE COMPANY



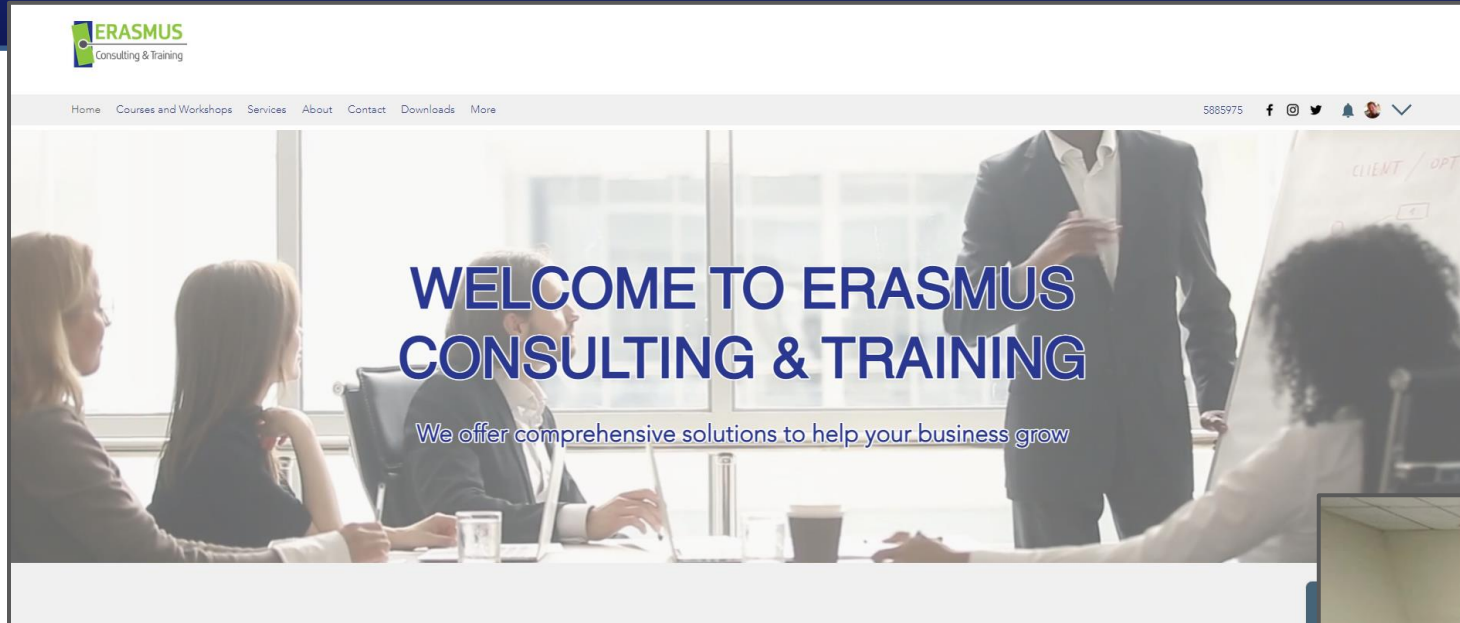
Erasmus Business Planning & Administration Services (since 2001)

Erasmus Consulting & Training (since 2018)

- **Business planning & consulting services**
- **Accounting & tax advisory services**
- **Courses and workshops**

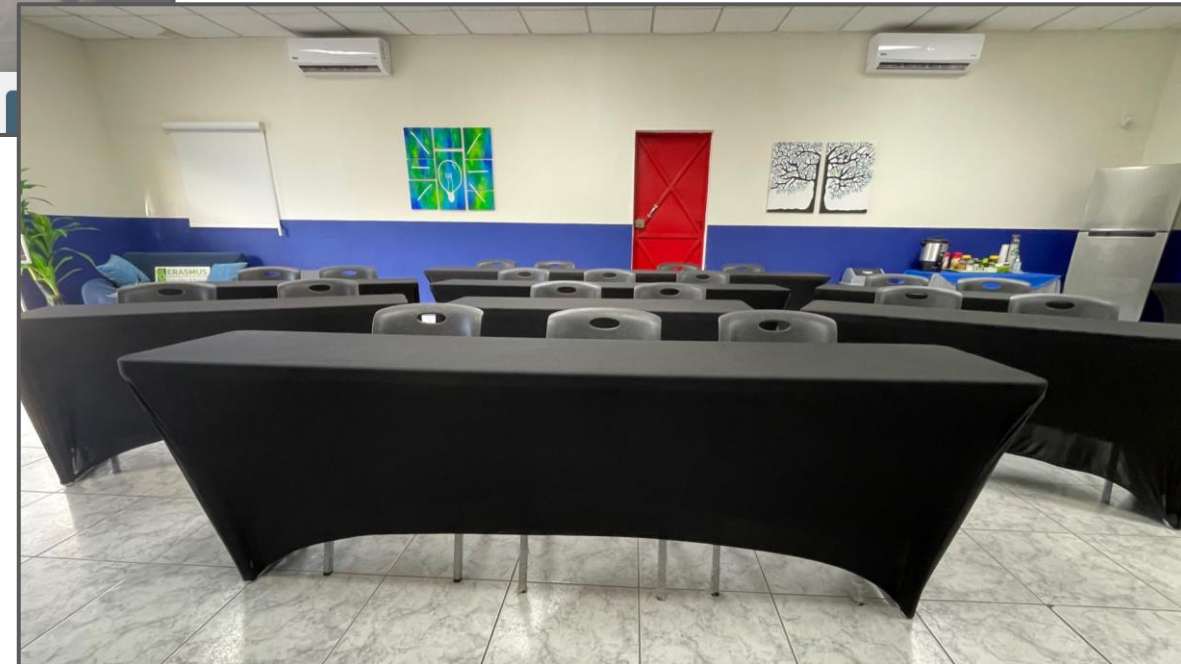


Our Website / Training Facility



www.ectaruba.com

Training Facility:
Newtonstraat 1-A
Oranjestad - Aruba



Our Training Solutions



- We provide interactive and engaging instructor-led training courses and workshops on executive, middle-management and operational level.



Differentiating Factor....



- Offer courses/workshops no one else is offering
- Facilitators: certified/trained &/or experienced professionals
- Multilingual (Papiamentu/English/Dutch)
- Diligent selection of literature
- A modular approach to course design
- Comprehensive exam preparation & support

Fields of Study



- Accounting & Finance
- Data Science & Technology
- Sales, Marketing & Customer Service
- Management & Leadership
- Human Resource Management
- Project Management
- Operations, Logistics & Process Management





Financial Literacy for Entrepreneurs



At the end of this session, participants will be able to:

1. Define the term financial literacy
2. Distinguish the fields of knowledge that underpin financial literacy.
3. Understand the relevance of financial literacy to entrepreneurs.
4. Discuss some key tips to develop your financial literacy and improve your business performance.



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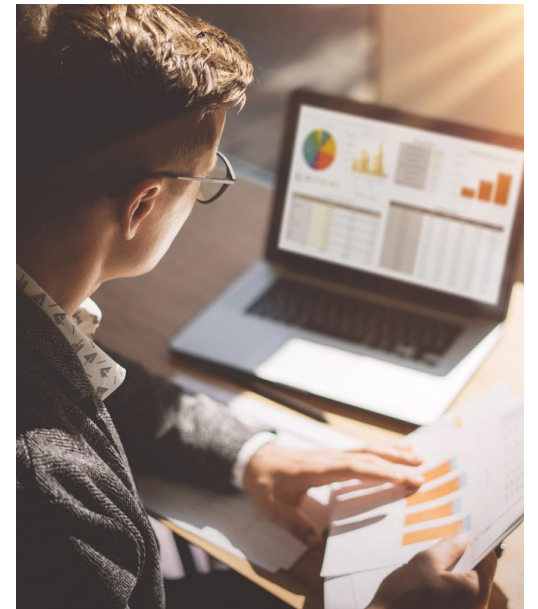
Financial Literacy Defined...

Financial Literacy



In simple terms:

“the knowledge and understanding of financial concepts and tools to make important financial decisions.”



Financial Information in Decision-Making



- Decision-Making: a course of action chosen from a set of alternatives to achieve organizational or managerial goals.
- Information plays a vital role in decision-making





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Financial Literacy: Fields of Knowledge

What is Accounting?

What is Financial Management?



- **Accounting:** An information and measurement system that identifies, records, and communicates relevant, reliable, and comparable information about an organizations' business activities.
- **Financial Management:** the efficient and effective management of company funds in such a manner in order to accomplish the objectives of the organization. Accounting information is used to make responsible decisions.

Accounting Activities



Identifying



Select transactions and events

Examples are **Apple's** sale of iPhones and **TicketMaster's** receipt of ticket money.

Recording



Input, measure, and log

Examples are dated logs of transactions measured in dollars.

Communicating



Prepare, analyze, and interpret

Examples are reports that we analyze and interpret.

Financial Management Activities



Monitoring Business Activities



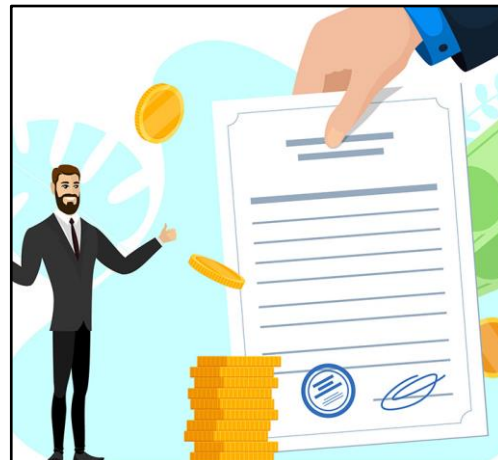
Managing Cash Flows



Making Investment Decisions



Planning/Forecasting



Making Financing



**Controlling costs /
Optimizing sales**



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The Relevance of Financial Literacy to Entrepreneurs

1. Understanding the Language of Business



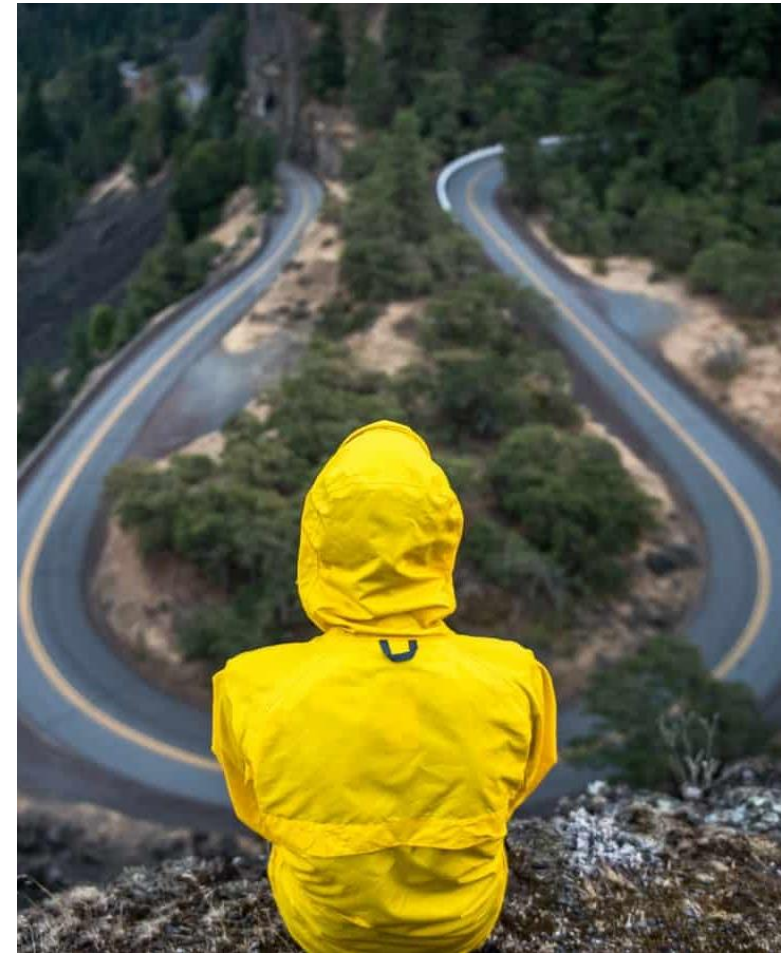
- FL empowers entrepreneurs to effectively communicate in the language of business.
- Enhances the ability to decipher financial statements, understand profit and loss, manage cash flow, etc.
- Entrepreneurs gain a deeper understanding of their business's financial health:
 - take proactive measures to ensure sustainable growth



2. Making Informed Financial Decisions



- FL enables entrepreneurs to evaluate the costs and benefits of various investment opportunities, assess the feasibility of projects, and determine the most suitable financing options.
- Entrepreneurs can effectively manage risk, optimize their capital structure, and make strategic choices that align with their business goals.



3. Budgeting and Cash Flow Management



- Creating a realistic budget and managing cash flow are critical for any business
- Financial literacy equips entrepreneurs with the skills to develop effective budgets, track expenses, and optimize cash flow, ensuring the venture's sustainability during both lean and prosperous times.



4. Access to Capital



- Entrepreneurs often require external funding to launch or expand their ventures.
- Financial literacy aids in understanding various funding options, preparing convincing business plans, and managing relationships with investors or lenders, increasing the likelihood of obtaining the necessary capital.



5. Tax Management



- Taxes are an inevitable aspect of running a business.
- Financial literacy helps entrepreneurs comprehend tax obligations, identify potential deductions, and implement tax strategies that optimize the company's financial position while remaining compliant with tax laws.



6. Negotiation Skills



- In the business world, negotiation is often necessary, whether it's with suppliers, customers, or potential partners.
- Financial literacy provides entrepreneurs with the ability to understand the financial implications of various deals, leading to more favorable agreements.



7. Personal Financial Security



- Strong financial literacy also extends to personal financial planning.
- Entrepreneurs who manage their personal finances wisely are better equipped to weather personal financial challenges and can focus more on their businesses' success.





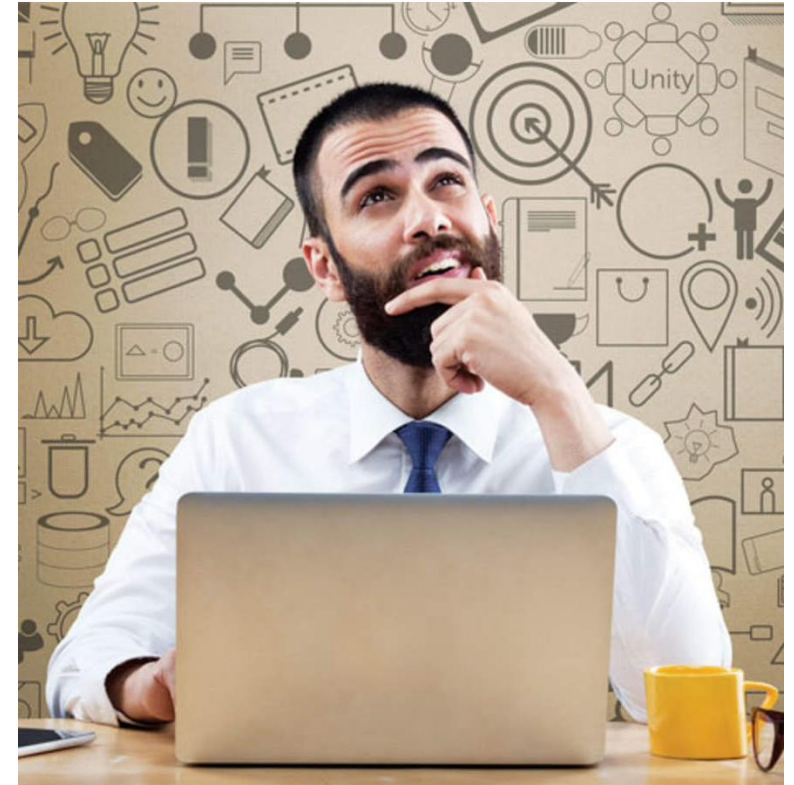
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Key Tips for (Starting) Entrepreneurs

1. Invest in Financial Literacy Training



- To be financially literate is to know how to manage your money.
- Take the initiative to self-educate and grow your financial knowledge, whenever you have time.
- Most successful entrepreneurs had to learn to become financially literate.



2. Invest in Accounting or POS Apps



- Acquire applications that will help you keep track of your finances.
- Lots of affordable apps available nowadays to fit the needs of SME's.
- Most of them are intuitive (easy to use).



3. Keep Track of Key Financial Data of your Business



- Liquidity (cash flow)
- Sales & Profitability
- Operational activities
 - Accounts receivable
 - Accounts payable
 - Debt obligations



Upcoming Financial Courses and Workshops



- Fundamentals of Accounting & Finance (Starts August 19, 2023)
- Reading & Interpreting Financial Reports (Starts October 10, 2023)
- Financial Literacy Booth Camp (1 Day Session – August 22, 2023)



QUESTIONS?



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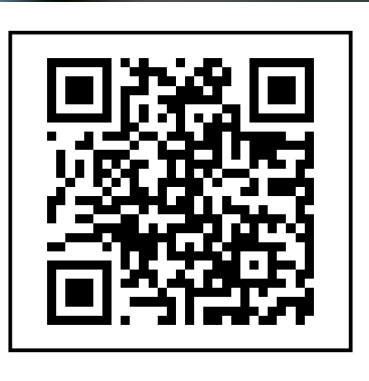
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