

Write a short notes on -

a - Subscription b- Price level changes c- deflation d. Endowment fund

Subscription:

A subscription is a signed agreement between a supplier and customer that the customer will receive and provide payment for regular products or services, usually for a one-year period.

A subscription is a relatively new business model by which a customer agrees to pay the company for products or services throughout a specified time-period. For example, the customer may agree to purchase a one-year subscription to a magazine which he receives on a regular basis (monthly, weekly, etc.). The customer may pay the entire sum upfront, or he will pay on a monthly basis. The payment is usually applied automatically, and therefore the customer will need a credit or debit card and agree to be charged.

The subscription model can be applied for various businesses, including:

magazines and newspapers

Software as a Service (SaaS) businesses

gift packages

membership (club, gym, etc.)

and any business that provides recurring products or

services

Price level changes:

Accounting is known as the language of business. The basic objective of accounting is to prepare financial statements in such a way that they give a true and fair view of business. Income statement should disclose the true profit or loss made by the business during a particular period where as balance sheet must show a true and fair view of the financial position of the business on a particular date.

The general tendency in changes of prices of goods and services over a time is called price level. The rise in general price level is called inflation. During the period of inflation, purchasing power of money declines. The fall in the general price level is called deflation. During the period of deflation, purchasing power of money increases. Price level change means increase or decrease in the purchasing power of money over a period of time. The accounting which considers price level changes is called accounting for price level changes.

Accounting for price level changes is a system of maintaining accounts in which all items in financial statements are recorded at current values. This system of accounting ascertains profit or loss and presents financial position of the business on the basis of current prices. Accounting for price level changes is also called inflation accounting.

Deflation:

Deflation is a general decline in prices for goods and services, typically

associated with a contraction in the supply of money and credit in the economy.

During deflation, the purchasing power of currency rises over time.

Deflation causes the nominal costs of capital, labor, goods, and services to fall, though their relative prices may be unchanged. Deflation has been a popular concern among economists for decades. On its face, deflation benefits consumers because they can purchase more goods and services with the same nominal income over time.

However, not everyone wins from lower prices and economists are often concerned about the consequences of falling prices on various sectors of the economy, especially in financial matters. In particular, deflation can harm borrowers, who can be bound to pay their debts in money that is worth more than the money they borrowed, as well as any financial market participants who invest or speculate on the prospect of rising prices.

KEY TAKEAWAYS

Deflation is the general decline of the price level of goods and services.

Deflation is usually associated with a contraction in the supply of money and credit, but prices can also fall due to increased productivity and technological improvements.

Whether the economy, price level, and money supply are deflating or inflating changes the appeal of different investment options.

Endowment fund :

An endowment fund is an investment fund established by a foundation that makes consistent withdrawals from invested capital. The capital in endowment funds, often used by universities, nonprofit organizations, churches and

hospitals, is generally utilized for specific needs or to further a company's operating process. Endowment funds are typically funded entirely by donations that are deductible for the donors.

Financial endowments are typically structured so the principal amount invested remains intact, while investment income is available for immediate funding for use to keep a nonprofit company operating efficiently. Most large endowments to endowment funds are structured so a portion of the principal is released for use only after a period of time. This delayed use of the donation has an impact over a longer period of time and encourages the endowment fund management to grow the income from the fund to ensure that operational needs are covered. Endowments also may be given with specific uses stated by the donor, further complicating disbursements. Almost all large endowment funds are professionally managed with clear investment goals.

KEY TAKEAWAYS

Endowment funds are investment portfolios where the initial money is provided by donations to a foundation.

An endowment fund will have an investment, withdrawal and usage policy governing how it is run.

Some endowment funds have become very large over time.