Example transaction 2: Two weeks after the investment in the book store, Alex borrow $5,000 from the bank.

What will the accounting equation be?

Asset: money coming in or investment into the bookstore

Liabilities: money the bookstore has to pay back legally

Owner's equity: the bookstore's net worth at a given point in time

Assets= Liabilities + owner's equity

Remember left and right side of the equation must always balance!

Date	Assets =	Liabilities +	Owner's equity	Reasoning
Jan 3rd	$10,000.00	$0.00	$10,000.00	Transaction 1
Jan 17th	$5,000.00	$5,000.00	$0.00	The money was invested into the book store= Asset The money has to be paid back since it was not a legal loan= Liability
	$15,000.00	$5,000.00	$10,000.00	Overall equation should always balance

Example transaction 3: On Jan 20th the bookstore sold books worth $3000.00

What will the accounting equation be?

Asset: money coming in or investment into the bookstore

Liabilities: money the bookstore has to pay back legally

Owner's equity: the bookstore's net worth at a given point in time

Assets= Liabilities + owner's equity

Remember left and right side of the equation must always balance !

Date	**Assets =**	**Liabilities +**	**Owner's equity**	Reasoning
Jan 3rd	$10,000.00	$0.00	$10,000.00	Transaction 1
Jan 17th	$5,000.00	$5,000.00	$0.00	Transaction 2
Jan 20th	$3,000.00	$0.00	$3,000.00	Money came in the book store = Asset. This money added to the overall value of bookstore = Owner's equity
	$18,000.00	$5,000.00	$13,000.00	Overall equation should always balance

PROFIT AND LOSS STATEMENT

Basic P&L Statement for Joe's Coffee Shop

(For the month of January 2025)

Revenue & Expenses	Amount ($)
Revenue (Sales Income)	10,000
Cost of Goods Sold (COGS)	(4,000)
Gross Profit	6,000
Operating Expenses:	
Rent	(1,500)
Wages (Employee Salaries)	(2,000)
Utilities (Electricity, Water)	(500)
Marketing & Advertising	(300)
Supplies (Cups, Napkins, etc.)	(200)
Total Operating Expenses	(4,500)
Net Profit (Before Tax)	1,500

Revenue → Total money earned from selling coffee and snacks. Written without brackets

Cost of Goods Sold (COGS) → The direct costs of making coffee, the raw materials needed (e.g., coffee beans, milk, sugar). Written in brackets to indicate expense

Gross Profit → Revenue - COGS (money left after paying for raw materials).

Operating Expenses → Costs to run the business (rent, wages, electricity, supplies). Written in brackets to indicate expense

Net Profit (Before Tax) → Final earnings after subtracting all expenses.

- If it's a profit, it is written without brackets
- If it's a loss, it is written in brackets, showing the business is operating at a deficit, or loss.