



Accounting Equation and Values

1. Assets – Liabilities = **Equity**
2. **Equity** = Net Worth = Wealth = Investment Value
3. **Equity** = Investment + Retained Earnings + Profit or Loss - Owner Draws or Dividends paid out.
4. Equity is located on the Balance Sheet Report
5. Revenue or Sales – Expenses = Profit or Loss
6. Regular profits are necessary to live and continue operation of your business.
☺ Unless you started at very wealthy ... or this is a hobby
7. Cash Equity can be used to:
 - A. Invest in Business Assets (Wants vs needs?)
 - B. Pay down Business Debt.
 - C. Save for future business cash needs.
 - D. Pay Owner's Draws for Owner's:
 1. Basic Needs
= Food, Shelter, Heat, Transportation, Health Care, Taxes, Good Reputation
 2. Personal Wants
= Ego, Status, Victory, Growth, Efficiency, Leisure, Security, Impact, Freedom, Control, Better, Bigger...
- Consider Your Values - Does More \$\$ = More Wealth = More Security = More Freedom = More Control = Choices = Less Worry = Less Hard Work...? For You??
 3. Investing outside the Business (IRA)
8. The Accounting Equation: Assets = Liabilities + Equity

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