

PART IV

1) Profit & Loss Statements and Balance Sheet

(basics)

2) The Cash-Flow Quadrant

*(understanding the differences between
Employees, Self-employed, Business Owners,
Investors)*

1) Profit & Loss Statements and Balance Sheet



| AMAZON ORIGINAL The Grand Tour | | |
|-----------------------------------|-----------------------|--------|
| LAP BOARD | | |
| 1 | MCLAREN 650S | 1:17.9 |
| 2 | AUDI R8 V10 PLUS | 1:19.2 |
| 3 | NISSAN GT-R | 1:21.2 |
| 4 | PORSCHE 911 C2S | 1:21.4 |
| 5 | PORSCHE 718 BOXSTER S | 1:23.4 |
| 6 | BMW M5 | 1:24.2 |
| 7 | BMW M3 | 1:24.3 |
| 8 | BMW M2 | 1:26.2 |
| 9 | HONDA CIVIC TYPE R | 1:28.2 |
| 10 | FORD FIESTA ST200 | 1:32.8 |

| MEN'S 100M | | |
|----------------|-----|-----------------------|
| RESULT - FINAL | | |
| WIND +1.5M/S | | |
| 1 | JAM | USAIN BOLT 9.63 |
| 2 | JAM | YOHAN BLAKE 9.75 |
| 3 | USA | JUSTIN GATLIN 9.79 |
| 4 | USA | TYSON GAY 9.80 |
| 5 | USA | RYAN BAILEY 9.88 |
| 6 | NED | CHURANDY MARTINA 9.94 |
| 7 | TRI | RICHARD THOMPSON 9.98 |
| 8 | JAM | ASAFA POWELL 11.99 |

When looking at a race, there are two elements we look at:

- Lap time – the performance during one lap [‘round’] of the race
(this indicates *evolution* over a period of *time*)
- Position at certain critical moments
(this indicates *status* at a chosen *moment* of time)

1) Profit & Loss Statements and Balance Sheet

The basic structure of a P & L statement consists of three lines:

- income/revenues—how much money is coming in;
- expenses—how much money is going out;
- profit/loss—the difference between the income/revenues and expenses.

| P&L (Profit & Loss) Statement #1 | |
|---|-----------------|
| Income / Revenues | |
| Salary / Income 1 | \$35,000 |
| <u>Salary / Income 2</u> | <u>\$15,000</u> |
| Total Income / Revenues | \$50,000 |
| Expenses | |
| <u>Living expenses</u> | <u>\$40,000</u> |
| Total Expenses | \$40,000 |
| Profit | \$10,000 |

| P&L (Profit & Loss) Statement #2 | |
|---|------------------|
| Income / Revenues | |
| Salary / Income 1 | \$35,000 |
| <u>Salary / Income 2</u> | <u>\$15,000</u> |
| Total Income / Revenues | \$50,000 |
| Expenses | |
| <u>Living expenses</u> | <u>\$60,000</u> |
| Total Expenses | \$60,000 |
| Profit | -\$10,000 |

1) Profit & Loss Statements and Balance Sheet

The basic structure of a balance sheet is two columns:

- Assets, the left column.
(this column shows "what we have.")
- Liabilities, the right column.
(this column shows "obligations for the future" and "how we paid for the assets shown in the left column.")

| <u>Starting Balance Sheet</u> | | | |
|-------------------------------|------------|--------------------------|------------|
| Assets | | Liabilities | |
| Cash & Bank | \$0 | Debt | \$0 |
| Total Assets | \$0 | Total Liabilities | \$0 |

| Balance Sheet #1 | | | |
|---------------------|-----------------|--------------------------|------------|
| Assets | | Liabilities | |
| Cash & Bank | \$10,000 | Debt | \$0 |
| Total Assets | \$10,000 | Total Liabilities | \$0 |
| | | <i>Net worth</i> | \$10,000 |

| P&L (Profit & Loss) Statement #1 | |
|----------------------------------|-----------------|
| Income / Revenues | |
| Salary / Income 1 | \$35,000 |
| Salary / Income 2 | \$15,000 |
| Total Income / Revenues | \$50,000 |
| Expenses | |
| Living expenses | \$40,000 |
| Total Expenses | \$40,000 |
| Profit | \$10,000 |

1) Profit & Loss Statements and Balance Sheet

The basic structure of a balance sheet is two columns:

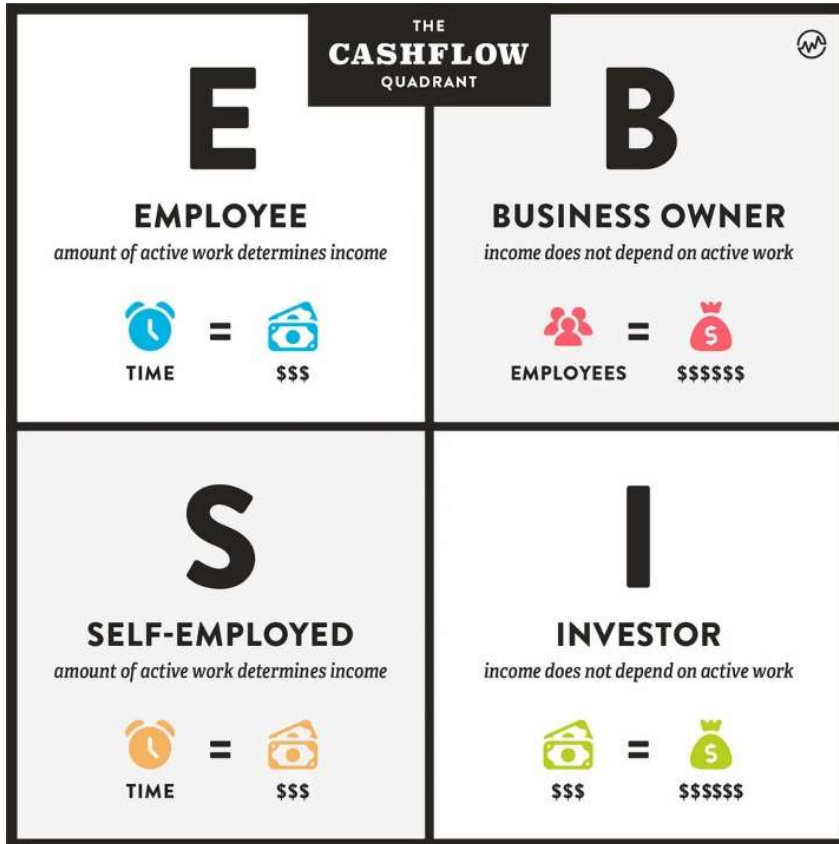
- Assets, the left column.
- Liabilities, the right column.

| <u>Starting Balance Sheet</u> | | | |
|-------------------------------|------------|--------------------------|------------|
| Assets | | Liabilities | |
| Cash & Bank | \$0 | Debt | \$0 |
| Total Assets | \$0 | Total Liabilities | \$0 |

| <u>Balance Sheet #2</u> | | | |
|-------------------------|------------|--------------------------|-----------------|
| Assets | | Liabilities | |
| Cash & Bank | \$0 | Debt to others | \$10,000 |
| Total Assets | \$0 | Total Liabilities | \$10,000 |
| | | <i>Net worth</i> | -\$10,000 |

| <u>P&L (Profit & Loss) Statement #2</u> | |
|---|------------------|
| Income / Revenues | |
| Salary / Income 1 | \$35,000 |
| <u>Salary / Income 2</u> | <u>\$15,000</u> |
| Total Income / Revenues | \$50,000 |
| Expenses | |
| <u>Living expenses</u> | <u>\$60,000</u> |
| Total Expenses | \$60,000 |
| Profit | -\$10,000 |

2) The Cash-Flow Quadrant



Employee

- someone who has a job

Self-Employed

- someone who owns a job

Business Owner

- someone who owns a system and leverages other people's skills and time

Investor

- someone who uses money and debt to generate income

2) The Cash-Flow Quadrant

1) Linear income → active (work) income

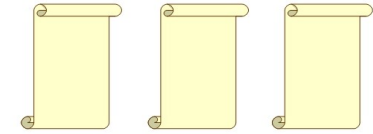


Employee

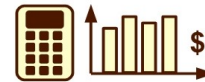


4 hr = \$60

Self-employed



\$X (fee) \$X (fee) \$X (fee)



2) *Limited by Time and Market*

1) Linear income → active (work) income



Living expenses



Limited

Time

Market



HIRING NOW (\$12 / hr)

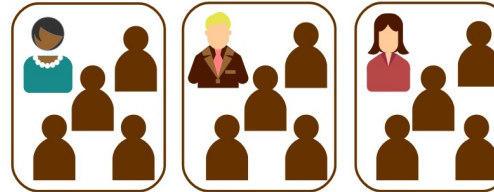
✓ \$13 / hr

2) The Cash-Flow Quadrant

2) Leveraged income → (business) income → Unlimited



Business Owner

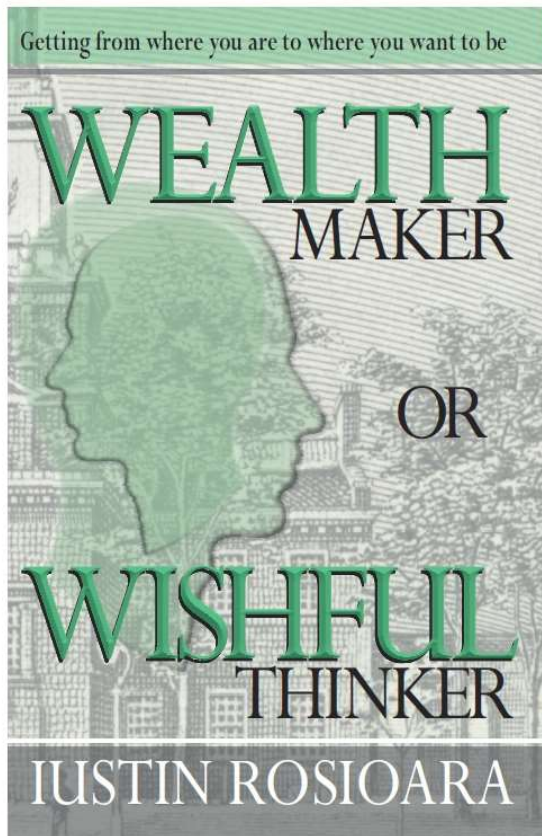


Scalable system → Routines & Procedures
 → Sell & Execute
 → Large pool of potential customers

3) Passive income → (residual) income

... cash-flow from investments





It doesn't matter

how much you have...

... but what you do

with what you have

at any given moment.



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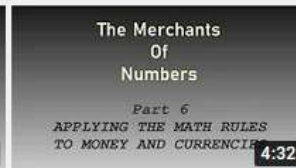
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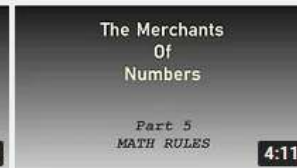
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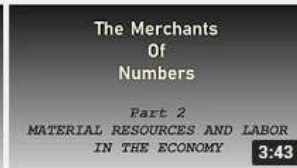
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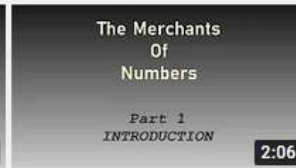
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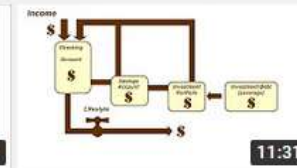
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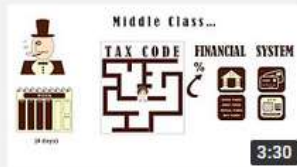
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