

Micro Lessons in Accounting & Finance (For Entrepreneurs Who'd Rather Be Building)

1. So, What Exactly Are Expenses?

In plain terms: These are the things your business pays for to keep running — like team salaries, software tools, or printing materials.

Why you care: If you don't track expenses, you won't know if you're spending smartly — or just slowly bleeding money.

2. What's Revenue (aka Money Coming In)?

Translation: This is your income — from sales, subscriptions, services, whatever people pay you for.

Why it matters: All money in isn't equal — some is harder or more expensive to earn than others.

3. Fixed Costs vs. Variable Costs

Simple breakdown:

- **Fixed costs** stay the same (rent, software).
 - **Variable costs** change depending on how much you sell (printing, credit card fees).
Why it's useful: Helps you figure out what your margins look like at different sales levels.
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4. COGS, Gross Margin, SG&A, Net Margin — What's All This?

Let's break it down:

- **COGS:** What it costs to *make* what you sell.
- **Gross Margin:** What's left after covering COGS.
- **SG&A:** Overhead stuff — salaries, marketing, rent.
- **Net Margin:** What's *really* left at the end.

Why this matters: It shows where your money is going — and if your biz model actually works.

5. The Matching Principle (AKA Don't Cheat Time)

What it means: Match expenses to the same period they help earn revenue.

Example: If you pay to build something in June but start selling in July — log that cost in July.

Why? So your profits don't look better (or worse) than they really are.

6. Profit vs. Cash Flow (Don't Mix These Up!)

Profit = What your income statement says you made.

Cash Flow = What actually hit (or left) your bank account.

Why it matters: You can be “profitable” on paper and still go broke if no one's paying you on time.

7. Accounts Receivable & Payable (Who Owes Who?)

- **Receivables** = Money people owe *you* (like unpaid invoices).
- **Payables** = Money *you* owe (like royalties or bills).

Why you care: Helps you avoid those “surprise, we're out of cash” moments.

8. Assets, Liabilities & Equity (Balance Sheet Basics)

- **Assets:** What your biz owns (cash, laptops, content).
- **Liabilities:** What your biz owes (loans, bills).
- **Equity:** What's left over (your slice of the pie).

Why it matters: Tells you what your business is actually worth.

9. Depreciation (No, Not Emotionally)

The idea: Big stuff (like laptops or gear) gets “expensed” slowly over time, not all at once.

Why that's good: Keeps your profits from looking weird in the month you make a big purchase.

10. Break-Even Point (Your Survival Number)

What it is: The point where your sales = your costs.

Why it matters: Tells you how much you *have* to sell to stay in business.

11. Burn Rate & Runway

- **Burn rate:** How much more you're spending than earning each month.
 - **Runway:** How long you can keep that up before running out of money.
Example: Spending \$30K/month, earning \$20K = \$10K burn = 6 months runway if you have \$60K in the bank.
Why it matters: Helps you know when to raise money, cut costs, or crank up sales.
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12. Tax Prep vs. Accounting (Yep, They're Different)

- **Tax Prep:** Gathering your numbers to file taxes — backwards-looking, compliance-focused.
- **Accounting:** Ongoing tracking of money in/out — future-focused, strategy-minded.
Why it matters: Taxes keep you out of trouble. Accounting helps you grow.