Assets Over Liabilities (AOL) Online

Financial Statement Case Study

Corner Market & Gifts LLC

Fictional Small Retail Business

For the Year Ended December 31, 2025

Participant Financial Statements

Corner Market & Gifts LLC

Income Statement

For the Year Ended December 31, 2025

REVENUE	
Sales Revenue	$250,000
COST OF GOODS SOLD	
Inventory / Product Costs	($125,000)
Gross Profit	**$125,000**
OPERATING EXPENSES	
Payroll & Wages	$30,000
Rent	$18,000
Marketing & Advertising	$6,000
Utilities	$4,000
Insurance	$3,000
Supplies	$2,000
Depreciation Expense	$5,000
Total Operating Expenses	**$68,000**
Operating Income	**$57,000**
Interest Expense	($2,000)
NET INCOME	**$55,000**

AOL Learning Reminder: Net income shows whether the business was profitable for the period. It does not tell you how much cash is available in the bank.

Corner Market & Gifts LLC

Statement of Cash Flows

For the Year Ended December 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$55,000
Add: Depreciation Expense	$5,000
Less: Increase in Accounts Receivable	($8,000)
Less: Increase in Inventory	($15,000)
Less: Increase in Prepaid Expenses	($1,000)
Add: Increase in Accounts Payable	$5,000
Add: Increase in Credit Card Payable	$1,000
Net Cash Provided by Operating Activities	**$42,000**
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Equipment	($20,000)
Net Cash Used in Investing Activities	**($20,000)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Owner Contribution	$20,000
Business Loan Proceeds	$5,000
Owner Draw	($5,000)
Net Cash Provided by Financing Activities	**$20,000**
Net Increase in Cash	**$42,000**
Beginning Cash Balance	$20,000
ENDING CASH BALANCE	**$62,000**

AOL Learning Reminder: Cash flow tracks how cash moved into and out of the business. A profitable business can still experience cash shortages.

Corner Market & Gifts LLC

Balance Sheet

As of December 31, 2025

ASSETS	
CURRENT ASSETS	
Cash	$62,000
Accounts Receivable	$8,000
Inventory	$35,000
Prepaid Expenses	$2,000
Total Current Assets	**$107,000**
PROPERTY & EQUIPMENT	
Equipment	$60,000
Less: Accumulated Depreciation	($10,000)
Net Property & Equipment	**$50,000**
TOTAL ASSETS	**$157,000**
LIABILITIES & OWNER'S EQUITY	
CURRENT LIABILITIES	
Accounts Payable	$12,000
Credit Card Payable	$3,000
Total Current Liabilities	**$15,000**
Business Loan	$40,000
TOTAL LIABILITIES	**$55,000**
OWNER'S EQUITY	
Owner's Capital	$20,000
Retained Earnings / Accumulated Profit	$82,000
TOTAL OWNER'S EQUITY	**$102,000**
TOTAL LIABILITIES & OWNER'S EQUITY	**$157,000**

Accounting Equation: Assets = Liabilities + Owner's Equity

$157,000 = $55,000 + $102,000

Corner Market & Gifts LLC

How the Three Statements Connect

AOL Online Case Study

The three financial statements are different views of the same business.

Statement	Primary Question	Key Number
Income Statement	Did the business make money?	**$55,000 Net Income**
Cash Flow Statement	Where did the cash come from and where did it go?	**$62,000 Ending Cash**
Balance Sheet	What does the business own and owe, and what is left for the owner?	**$157,000 Total Assets**

Key AOL Concepts to Watch For

- Profit is not the same as cash.
- Accounts receivable represents sales that have not yet been collected in cash.
- Inventory is an asset until it is sold; the cost of sold inventory becomes COGS.
- Loan proceeds increase cash but are not revenue.
- Loan principal repayment is not an operating expense; interest is an expense.
- Owner draws reduce cash and owner's equity but are not business expenses.
- Depreciation reduces accounting profit but is a non-cash expense.
- The Balance Sheet must always balance: Assets = Liabilities + Equity.