What They don't teach you about money

A simple lemonade stand can teach you everything you need to know

In school, we learn how to solve algebra problems, recite historical dates, and balance chemical equations. But we're rarely taught how to manage money—how to grow it, invest it, or even understand the basic principles behind a business.

This gap in financial education leaves many people unprepared to make wise decisions about spending, saving, and investing. But money isn't a mystery reserved for bankers and stockbrokers. With just a few foundational concepts, anyone can take control of their financial future.

This article uses the story of a humble lemonade stand to explain money, business ownership, profit, depreciation, and valuation—in plain, everyday language.

1. Starting Your Business

Imagine you decide to start a lemonade stand business. You call it Lemonade Inc. You invest ₹750 of your savings to buy a wooden stand, a juicer, lemons, sugar, cups and ice.

But to scale up, you bring in two friends as investors. They add ₹250 in total, and in exchange, they get ownership shares in your company.

Ownership table:

Investor	Amount Invested (₹)	Shares	% ownership
You	₹750	75	75%
Friend A	₹150	15	15%
Friend B	₹100	10	10%
Total	**₹1000**	**100**	**100%**

You are now a majority owner. Your share of future profits and decision-making power is 75%.

This teaches several financial and business principles:
Equity ownership: Who owns what percentage of the business based on their capital contribution.
Dividends: You could distribute profits to shareholders or reinvest into growing the business.

A share of Apple or Tesla is simply a fractional ownership of a much larger business.

2. Selling 10 Cups a Day

You sell lemonade at ₹1 per cup at 10 cups a day, for 365 days (₹3,650). But it costs you money to make the lemonade such as lemon sugar (say, ₹0.25 per cup).

Yearly Revenue	₹3,650
Cost of goods sold (COGS)	₹912.50
Gross Profit	₹2,737.50
Operating Expenses	₹1,500/year per stand
Net Profit	**₹1,237.50**

Revenue: All the money made from sales.
Cost of Goods Sold (COGS): Cost of ingredients like lemons, sugar, ice, cups.
Gross Profit: What's left after subtracting COGS.
Operating Expenses: Money spent to run the business—wages, rent, cleaning, marketing.
Net Income: Your final profit, after covering all costs.

3. Understanding Depreciation

Your stand and juicer cost ₹750 together. They don't last forever. Let's assume they will be useful for 5 years.

So, every year, ₹150 of their value is "used up." That's called depreciation. This shows up as an expense, even though no cash is leaving your pocket that year—it's just accounting for wear and tear.

Depreciation per year = ₹750 ÷ 5 = ₹150

Even if your **cash profit** is ₹1,237.50, your **book profit** (after accounting for wear and tear) = ₹1,237.50 – ₹150 = ₹1,087.50

4. Balance Sheet at the End of Year 1

Liabilities & Equity	Amount (₹)	Assets	Amount (₹)
Shareholder's equity(Capital ₹1,000 plus profit ₹1,087.50	2087.50	Cash in India	1,487.50
Liabilities	0	Equipment (net of depreciation)	600
Total	**2,087.50**	**Total**	**2,087.50**

5. How Reinvestment Grows the Business

The profit is retained rather than distributed to shareholders as dividends, as the focus is on business expansion. Accordingly, the earnings are reinvested to purchase additional lemonade stands.

Reinvestment Plan:

Every new stand costs ₹750. Each stand earns the same amount as the first one.

More stands = more profit = faster growth.

Also, remember: Depreciation increases as you add more stands (₹150/year per stand).

6. Five-Year Financial Growth (10 Cups/Day per Stand)

Year	Stands	Revenue (₹)	Net Profit (₹)	Book Profit (₹)
1	1	3,650	1,237.50	1,087.50
2	2	7,300	2,475.00	2,175.00
3	3	10,950	3,712.50	3,262.50
4	4	14,600	4,950.00	4,350.00
5	5	18,250	6,187.50	5,437.50

All new stands are bought from actual net profit. No external borrowing. Growth is sustainable.

7. Final Balance Sheet (End of Year 5)

Liabilities & Equity	Amount (₹)	Assets	Amount (₹)
Shareholder equity	17,062.50	Cash	15,562.50
Liabilities	0	Equipment (net of depreciation)	1500
Total	17,062.50	Total	17,062.50

8. Valuation: What's the Business Worth?

If a buyer offers **10× book profit**, here's how the valuation at the end of Year 5:

Book Profit (₹)	Valuation (₹)	Your 75% Share (₹)
5,437.50	54,375	40,781.25

9. Key Lessons

Ownership is Power: Wealth grows when you own value-producing assets.

Reinvestment Multiplies Growth: Reusing profits buys more profit-generating assets.

Depreciation Reflects Reality: Equipment wears out—your profit must account for that.

Valuation Shows Potential: Businesses aren't worth just their current profit—but what they'll earn tomorrow.

Compounding Takes Time: Longer you stay invested, more powerful is your growth.