

BALANCE SHEET

Definition:



The balance sheet is a snapshot of the company's financial standing at an instant in time.

It shows the company's financial position.

(smallbusinessnotes.com)



A balance sheet is called that because it must **always balance:**

what it owns:
assets



what it owes:
liabilities
net worth

ASSETS

Characterizes the company's use of funds.

Is the sum of all the assets the company owns or are due to the company.

Accounting net values.

No approximations admitted.

Current Assets

Fixed Assets

Intangibles

Other Assets

Assets - *Current Assets*

Cash

in physical or virtual virtual form

Notes Receivable

incomes with uncertain terms:

- customer overdue payments
- owner & employee loans

Accounts Receivable

scheduled incomes from customers
as a result of commercial activity

Inventory

total net value of the goods
owned by the company

Other current assets

prepaid expenses: rent for 1 year

Other Assets

miscellaneous: long term deposit



Assets - *Fixed Assets*



Fixed Assets

all the assets which are directly owned by the company:

- buildings
- cars
- machines, tools
- etc.

Assets - *Intangibles*

Intangibles

Mostly intellectual property:

- patents
- research papers
- license rights
- etc.



“Sony/ATV Music Publishing is now the largest music publishing company in the world with over 2 million songs under management” - Wikipedia

Liabilities

The company's sources of money:
lender-investor & owner-investor

Characterizes the way the company respects
it's financial obligations.

Current Liabilities	Non-Current Liabilities
	Accrued Expenses

Liabilities - Current Liabilities

The sum of all the financial obligations which mature in less than 12 months.

Accounts Payable

all bills that have to be paid towards the suppliers of all types:

- raw material
- utilities
- transportation
- communication
- etc.

Accrued Expenses

all the expenses which will be or already are paid – periodic:

- salaries
- taxes
- interests on loans
- etc.

Note

Strict correlation with Accounts Receivable

Lack of proper resource management can lead to insolvent situations

Liabilities – *Non-Current Liabilities*

The sum of all the financial obligations which mature in more than 12 months.

Long term debts

The non-current (remainder) part of long term debts/loans.

Contingent Liabilities

May not be payed: warranties, lawsuits, etc.
Included only as a footnote

Notes payable

Generally towards shareholders

The amount of money they have invested in the company as capital not stock.

Equity / Net Worth

Equity or Net Worth is the last to mature source of funds.

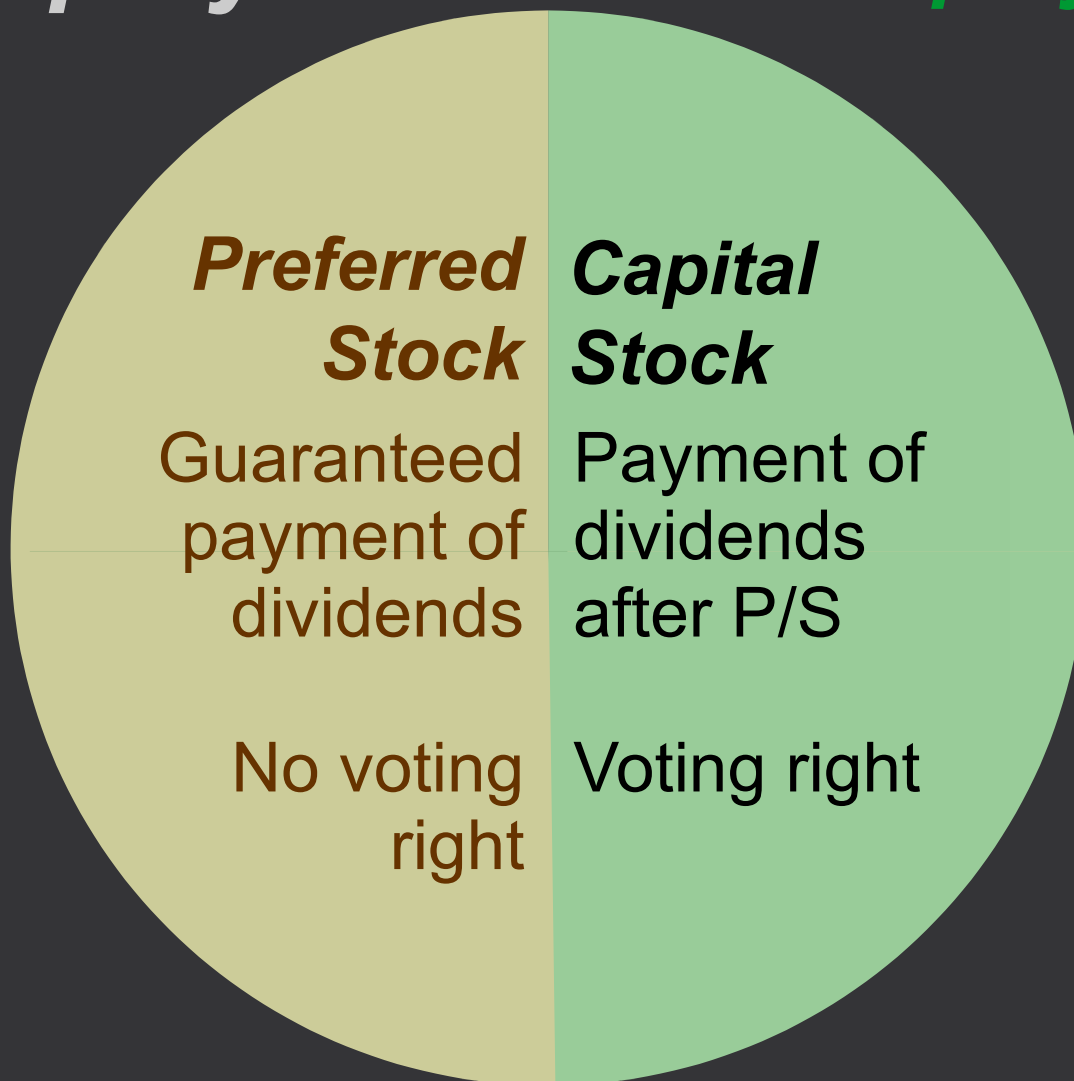
It is the owners' share in the financing of all the assets.

(smallbusinessnotes.com)

**Purchased
Equity**

**Earned Equity
Treasury Stock**

Equity – *Purchased Equity*



Equity

Earned Equity

Profit that the owners could have withdrawn but they reinvested it in form of capital.

Treasury Stock

Stock bought back by the company from shareholders

Stock never issued

No dividends/Voting rights

Reserve to create liquidity when needed.

Current Assets**Fixed Assets****Intangibles****Other Assets****Current Liabilities****Non-Current
Liabilities****Accrued Expenses****Purchased
Equity****Earned Equity
Treasury Stock**

Balance Sheet
Company 1
As of October 09, 2012

Assets

Cash on Hand	15,000.00
Accounts Receivable	6,795.00
Inventory	3,000.00
Equipment	1,763.00
ASSETS	26,558.00

Liabilities

Accounts Payable	2,200.00
Taxes Payable	7,000.00
Current Loans Payable	5,000.00
Long Term Loans Payable	1,578.00
Credit Cards Payable	900.00
Liabilities	16,678.00

Owner's Equity

Owner's Capital	4,800.00
Retained Earnings	5,080.00
Equity	9,880.00
LIABILITIES AND EQUITY	26,558.00

Assets = Liability + Equity! My numbers make sense :D

(www.yourmomhatesthis.com)