

BALANCE SHEET NOTE and EXAMPLE

- Snapshot that shows how a _____ is doing on a specific _____
 - Does NOT indicate whether a business has made a _____
 - “Balanced” because the _____ (LS) must equal the _____ (RS)
- ASSETS = LIABILITIES + OWNER’S EQUITY

1. Fill in the _____

- Three lines, centered, at the top of the page
- Who? (Name of business/organization)
- What? (Name of the financial statement)
- When? (Single Date)

2. List the _____

- Assets must meet the following criteria:
 - provide future economic benefit (i.e. help make \$\$)
 - Cost Principle - recorded at historical cost (the price you paid on the day you bought them)
 - Depreciation – loses value over time

Current Assets – Items owned by the business that are “used up” _____

List in Order of liquidity - how quickly the asset can be converted to cash (most liquid to least liquid)

- Cash: on hand or in bank
- Accounts Receivable: customers buy from you and will pay you later- you will receive this money
- Inventory: If retail: goods to be sold to consumers
- Office Supplies: papers, pencils/ pens, envelopes, stapelers, etc.
- Office Equipment: computers, desks

Fixed Assets – Items that a business keeps for a _____ period of time

List in Order of Useful Life – longest useful life to shortest useful life

- Land: property
- Building
- Equipment: machines
- Furniture
- Vehicles: Cars/Trucks – Delivery/business purposes

3. List the _____

Current Liabilities- debts that must be paid within a year

List in order of Accounts Payable due

- Accounts Payable: your business purchases goods/ supplies and will pay the other company at a later date

Long-Term Liabilities – more than a year

List in order of Short Term to Long Term

- Loans Payable(Bank) / - business borrowed money and will have to pay it back at a Notes Payable later date
- Mortgage Payable: -long term loan, purchase of building

4. Calculate _____

Assets – Liabilities = Owner’s Equity

5. Putting it all together

- No abbreviations, no corrections or changes on sheet, line up figures and dollar signs, underline totals and double underline final totals

The Sandwich Shop			
Balance Sheet			
May 7, 2015			
Assets		Liabilities	
Cash	\$ 1,150	Accounts Payable - Buns R Us	\$ 1,350
Accounts Receivable - Subway	3,400	Loan Payable - Salami Finance	<u>25,170</u>
Building	13,575	Total Liabilities	\$ 26,520
Equipment	<u>42,500</u>		
		Owner's Equity	
		Mr. Sandwich, Capital	<u>\$ 34,105</u>
Total Assets	<u>\$ 60,625</u>	Total Liabilities and Owner's Equity	<u>\$ 60,625</u>

Headings
Assets, Liabilities
and Owner's
Equity

Statement Headings

1. Who
2. What
3. When

\$ sign on
only first
heading

Order of
Liquidity

Order of
Useful
Life

\$ sign on
totals

Totals are Double Underlined

Fundamental Accounting Equation: **Assets = Liabilities + Owner's Equity**

The accounting equation can be manipulated to calculate owner's equity and liabilities

- Owner's Equity = Assets – Liabilities
- Liabilities = Assets – Owners Equity

Balance Sheet Conventions

1. No Abbreviations
2. No corrections or changes on sheet
3. Line up figures and dollar signs
4. Underline totals and double underline final totals
5. No personal assets or liabilities
6. State current assets in order of liquidity, fixed assets in order of useful life and liabilities in order of short term to long term.
7. Balance sheet should BALANCE!

3. The following balance sheet was prepared by Collin Smith, for the business which he owned, Smith’s Dance studios. State ten errors that Collin has made in the preparation of the balance sheet, indicate why each one is an error.

Balance Sheet of			
Collin Smith			
December 9, 2014			
Accounts Payable	\$2 000	Mortgage Payable	\$110 000
Building	\$90 000	Accounts Receivable	\$5 000
Land	\$20 000	Bank Loan	\$2 000
Stereo Equipment	\$8 000		
Personal Automobile	\$12 500	Smith, Equity	\$24 500
Cash	\$9 000	Total Equities	<u>\$141 500</u>
Total Assets	<u>\$141 500</u>		

4. Bobby Bowling Lanes is owned by Robert Goulet. The firm has the following assets and liabilities as at June 30, 2009. Prepare a balance sheet for the firm. Cash \$53,900, Accounts Receivable \$1 540, Marketable Securities \$12 000, Office Supplies \$320, Land \$110 000, Building \$76 000, Office Equipment \$3 900, Bowling Equipment \$31 200, Investments \$25 000, Accounts Payable \$12 900, Short-Term Loans \$15 300, Mortgage Payable \$123 900.

Assets		Liabilities	
		Owner's Equity	