

# DUMMIES GUIDE TO BALANCE SHEET

## BALANCE SHEET BASICS

- Two main sections:
- Assets
  - Liabilities

## ASSETS 1

- Two main sections:
- Current assets
  - Long term assets

## LIABILITIES 2

- Two main sections:
- Current liabilities
  - Long term liabilities

## CURRENT ASSETS A

Your bank accounts, customer invoices, equipment, furniture, or any assets that can be converted to cash within the next 12 months.

## CURRENT LIABILITIES C

Payroll taxes, short-term loans, bills, credit card debt, or any other short-term debts or financial obligations.

## LONG TERM ASSETS B

Trademarks, patents, bonds, intangible assets or any assets that are not current, or can only be cashable beyond the first year or more.

## LONG TERM LIABILITIES D

Bank loans, mortgages, bonds payable, pension liabilities, deferred revenue or compensations, deferred income taxes, etc.

## STOCKHOLDERS' EQUITY 3

These are the remaining assets available to shareholders after all the other liabilities are paid off.

### Audrey's Cupcake Balance Sheet as of 12/31/2022

#### ASSETS 1

##### Current Assets A

Bank / Cash	\$ 97,523
Accounts receivable	81,235
Inventory	213,685
<b>Total current assets</b>	<b>392,443</b>

##### Property & Equipment

Machinery & equipment	1,457,005
Transportation equipment	265,008
	1,722,013
Less - accumulated depreciation	(657,182)
	1,064,831

##### Long Term Assets B

Intercompany receivables	85,762
Cash value of life insurance	25,625
<b>Total long term assets</b>	<b>111,387</b>

**Total assets 1,568,661 E**

#### LIABILITIES 2

##### Current Liabilities C

Lease payable	\$ 238,564
Notes payable	213,522
Accounts payable	79,459
Credit Cards	12,556
<b>Total current liabilities</b>	<b>544,101</b>

##### Long Term Liabilities D

Lease payable (long term)	587,255
Long term debt	245,875
<b>Total long term liabilities</b>	<b>833,130</b>

#### STOCKHOLDERS' EQUITY 3

Common stock	50,000
Retained earnings	141,430
<b>Total liabilities &amp; stockholders' equity</b>	<b>1,568,661 E</b>

## DANGER ZONE

Both numbers in "Total assets" and "Total liabilities & stockholders' equity" must match. E

It is a warning sign if too many negative numbers are present in the Balance Sheet.

Always have a prior period(s) side-by-side comparison to spot any anomaly.