**Final Accounts 3: The Balance Sheet**

**A balance sheet is a statement of the assets and liabilities and share capital of a business on a particular date. It shows the wealth of the business and is made up of two parts — Total Net Assets and ‘Financed by’. Note that a Balance Sheet may also be referred to as a ‘Statement of Financial Position’ of a Business**

**The Total Net Assets is the amount a business owns after allowing for current liabilities. It is calculated by adding Current Assets minus Current Liabilities (Working Capital) to Fixed Assets.**

**The Financed By section of the balance sheet shows where a business obtains its finance. This can include share capital, reserves and long-term loans.**

**Assets**

**Fixed Assets: An asset whose value *is not* directly affected by the normal daily transactions of a business- e.g. Machinery, Motor Vehicles, Land, Buildings.**

**Current Asset: An Asset whose value *is* directly affect by the normal daily transactions of a business- e.g. bank, cash, stock, debtors- any money owed to us by customers**

**Note\*Any Gain Due or Expense Prepaid will also be a Current Asset in the Final Accounts- Examples Commission Receivable Due or Wages Prepaid and must be shown in the Balance Sheet.**

**Liabilities**

**Current Liabilities: A debt owed by a business that is due for repayment within one year. The most common are creditors and bank overdradft.**

**Long Term Liability: A debt that is not due for repayment in the coming 12 months- e.g. 5 year loan, Issued Share Capital or Profit and Loss Balance/ Reserves.**

**Note\*Any Gain Prepaid or Expense Due will also be a Current Liability in the Final Accounts- Examples Commission Receivable Prepaid or Wages Due and must be shown in the Balance Sheet.**

**And so:**

**Current Assets- Current Liabilities = Working Capital**

**Fixed Assets + Working Capital =**

**Total Net Assets**



**Financed by...**

This section shows where a business obtains its finance.

Share Capital + Reserves+ Long Term Liabilities = Capital Employed



**Sample Question:**

**Authorised Share Capital 300,000**

**Land 120,000**

**Cash 80,000**

**Closing Stock 40,000**

**Bank Overdraft 15,000**

**Issued Share Capital 235,000**

**Closing P & L 70,000**

**Solution**



**This should take you up to the ordinary level of the Trading, Profit and Loss and Balance Sheet Question. We will attempt sample questions from the textbooks in class from this point.**