

Simple Balance Sheets

Accounting Equation is: **Capital = Assets**

This equation shows the owners investment into the business because capital is anything the owner has put into the business. However, other people have also supplied assets into the business, these are called liabilities so this means the owner is liable for the certain assets they put into the business.

So the Equation changes to: **Capital = Assets – Liabilities**

For all assets: **Total Assets = Capital + Liabilities**

Headings in the balance sheet

- There are 3 main headings in a balance sheet; Assets, Liabilities, Capital.
- Assets and Liabilities break down into current and non-current.
- A Current asset is anything in the business which will be turned into cash within the next 12 months.
- A Non-Current asset is any asset which will last longer than 12 months in a business such as a motor vehicle.
- A Current liability is any liability which will be paid back within the next 12 months.
- A Non-Current liability is any liability in which can be paid back after 12 months such as mortgage or debentures.

Examples of what particulars would go under these headings:

Current Asset	Non-Current Asset	Current Liability	Non-Current Liability
Inventory	Fixtures and Fittings	Trade Payables	Mortgage
Trade receivables	Motor Vehicles	Bank Overdraft	Debentures

Now let's put these into a simple balance sheet.

Always include name and date!

<u>Balance Sheet of G Brown as of April 2010</u>	<u>Calculations £</u>	<u>Total £</u>
<u>Non-Current Assets</u>		
Fixtures and Fittings	1,800+	
Motor Vehicle	3,800	5,600
<u>Current Assets</u>		
Inventory	4,200+	
Trade Receivables	1,200	5,400
<u>Non-Current Liabilities</u>		
Mortgage	2,500+	
Debentures	300	2,800
<u>Current Liabilities</u>		
Trade Payables	1700+	
Bank Overdraft	480	2,180
<u>Net Assets (NCA+CA)-(NCL+CL)</u>		6,020
<u>Capital</u>		6,020

The Net Assets should be the same as the Capital.

$$(5,600 + 5,400) = 11,000$$

$$(2,800 + 2,180) = 4,980$$

$$\text{Net Assets} = 11,000 - 4,980 = 6,020$$