

BALANCE SHEET

Date:

Assets**CURRENT ASSETS**

Cash

Accounts receivable

Inventory

Prepaid expenses

Short-term investments

Total Current Assets**NON CURRENT ASSETS**

Property/land

Furniture

Vehicles

Equipment/tools

Long-term investments

Total Non Current Assets**Total Assets****Liabilities****CURRENT LIABILITIES**

Accounts payable

Payroll

Sales tax

Income tax payable

Short-term loans

Total Current Liabilities**LONG-TERM LIABILITIES**

Long-term loans

Other long-term liabilities

Total Long-Term Liabilities**Total Liabilities****Owner's Equity**

Owner's investment

Retained earnings

Total Owner's Equity**Total Liabilities and Owner's Equity**

BALANCE SHEET

To complete your Balance Sheet Statement, follow these steps.

If you are completing this document from existing data, use your bank accounts, ledgers or how you track transactions in your business. If you are projecting ahead, use estimates based on what you think will happen. If you use accounting software, you should be able to download a Balance Sheet Statement.

Step 1

Decide on the date you want the Balance Sheet to be dated. This will determine several totals, such as the bank balance on that day, how much you owe or are owed, on that day.

Step 2

Calculate total assets: include current assets such as cash, accounts receivable, inventory, and other assets that can be converted to cash within one year. Non-current assets include property, plant, and equipment, and other assets that are expected to provide value for more than one year.

Add up the value of all assets to determine total assets.

Step 3

Calculate liabilities, including current liabilities such as accounts payable, short-term loans, and other debts that are due within one year. Non-current liabilities include long-term loans and other debts that are not due within one year.

Add up the value of all liabilities to determine total liabilities.

Step 4

Input owner's equity, which represents any funds you've added into the business, and the profit that the business has retained over the years.

Your total assets should always equal your total liabilities plus owner's equity. If these figures don't match, you will need to go back and check your calculations.

Whichever method you use, note Balance Sheet Statements record how your business looks on one day, such as December 31st. Most often they are created at the end of your financial year. Balance sheets record a history of your business, so any items from past years are included, unlike a Profit and Loss Account which starts at zero on the first day of the financial year.

How to improve a balance sheet

Improving a balance sheet involves increasing assets or decreasing liabilities, or both.

Here are some ways you can improve your balance sheet:

- › Build up your cash reserves to improve your liquidity and make it easier to pay off debts. For example, reduce expenses, increase revenue, or find ways to optimize your cash flow.
- › If you have assets that are not generating a return or are no longer needed, consider selling them off to generate cash and improve your current asset ratio.
- › If you have lots of outstanding accounts receivable, consider offering incentives to customers to pay early or implement stronger payment terms to encourage timely payments.
- › If you have high-interest debt, consider refinancing it at a lower rate to reduce interest expenses and improve cash flow.
- › Negotiate better terms with suppliers to improve your cash flow and reduce liabilities.
- › Draw less out of the business and leave more cash in to reinvest.
- › Pay off any debt to reduce liabilities.