


The Balance Sheet Breakdown



Balance Sheet
Eric's Electrical Sole Trader
As at 30 June 2023

	NOTES	30 JUN 2023	30 JUN 2022
Assets			
Current Assets			
Cash Assets			
Business Account		15,398	9,666
Total Cash Assets		15,398	9,666
Receivables			
Accounts Receivable		4,122	3,716
Total Receivables		4,122	3,716
Total Current Assets		19,520	13,381
Non-Current Assets			
Property, Plant and Equipment			
Motor Vehicle		46,553	46,553
Less Accumulated Depreciation on Motor Vehicle		(16,983)	(8,885)
Tools		3,885	3,885
Less Accumulated Tools		(2,808)	(2,539)
Total Property, Plant and Equipment		30,646	39,014

The balance sheet outlines the following items:

- **Current Assets** - All assets that can quickly (in under 12 months) be turned into cash. Such as the cash in the bank, accounts receivable, inventory, fixed assets and prepaid expenses.
- **Non-Current Assets** - All assets that would take longer than 12 months to utilise.
- **Current Liabilities** - All debts/loans that will be repaid within the next 12 months. Such as short-term debt, accounts payable, payable wages and dividends, tax expenses and prepayments from clients.

- **Non-Current Liabilities** - All liabilities that will be repaid longer than 12 months into the future.
- **Shareholder and owner equity values** - retained income, dividends payable. This section is very different for each entity type.

The balance sheet is essential because it shows whether a company has enough assets to cover its liabilities—a key indicator of financial stability.

Let's take a closer look at the example.

What is an Asset?

An asset is any resource owned or controlled by a business. It is anything that can be converted into cash. It's an item owned by the company, regarded as having value.

The work in progress figure displayed in the Balance sheet is the same as the figure shown in the Trading Statement. The WIP will be turned into an invoice within 12 months of the reporting date, so it is a current asset.

	NOTES	30 JUN 2023	30 JUN 2022
Assets			
Current Assets			
Cash Assets			
Business Account		9,116	43,118
Cash on Hand		2	2
Total Cash Assets		9,118	43,120
Inventories			
Work in Progress (WIP)		700,000	780,000
Total Inventories		700,000	780,000
Other Financial Assets			
Loan to Other Persons		450,000	-
Total Other Financial Assets		450,000	-
Receivables			
Accounts Receivable		370,062	160,567
Total receivables		370,062	160,567
Total Current Assets		1,529,180	983,688
Non-Current Assets			
Property, Plant and Equipment			
Motor Vehicle at Cost		99,873	99,873
Less accumulated depreciation on MV		(68,933)	★ (62,107)
Total Property, Plant and Equipment		30,940	37,766
Total Non-Current Assets		30,940	37,766
Total Assets		1,560,120	1,021,454

An interesting line item may be the Loan to Other Persons. You might ask how giving someone a loan could count as an asset, but it is because they have to pay you back (ideally). Generally, interest is charged at market rate.

Another anomaly may be to see some numbers in brackets. This means they are being subtracted from the amount. In the excerpt above, you can see the depreciation is taken from the value of the motor vehicle.

The Total Assets of a business are the combination of current and non-current assets.

As previously mentioned, the Balanced sheet is to show if the assets (giving value) are enough to cover the liabilities (taking value).

Here is a closer look at liabilities.

Liabilities are a company's debts or financial obligations incurred during business operations.

A directors loan is money lent to the company from the directors - generally, this occurs when the business is starting and needs a capital injection. When the company is profitable, it can repay this money to the director without tax impact for either party.

Liabilities		
Current Liabilities	<i>payable within a year</i>	
Current Tax Liabilities		
GST	32,778	11,556
Income Tax Payable	92,507	108,261
PAYG Withholdings Payable	33,714	22,271
Superannuation Payable	4,841	2,940
Total Current Tax Liabilities	163,840	145,028
Payables		
Accounts Payable	864,856	514,369
American Express Qantas Busine	39,024	-
Total Payables	903,880	514,369
Total Current Liabilities	1,067,720	659,397
Non-Current Liabilities	<i>long-term payment obligations</i>	

Financial Liabilities		
★ Directors Loan Account	26,088	3,725
Hire Purchase - Toyota Prado	-	23,223
Less Un-expired Interest	-	★ (603)
Total Non-Current Liabilities	26,088	26,345
Total Liabilities	1,093,809	685,742
Net Assets	466,312	335,712

If the director owes money to the company - this is an issue and is known as a Division 7A issue within the industry, it is imperative to get professional guidance in this situation.

The total assets are calculated by subtracting the Total Liabilities from the Total Assets.

Next we look at Equity.

The unexpired interest shown in brackets is the remaining interest to be paid on a loan. It is a liability that we know is coming.

Equity		
Retained Earnings	466,310	335,710
Share Capital	2	2
Total Equity	466,312	335,712

Equity refers to the business owner's interest in a company and how much it is worth.

Retained earnings are the accumulation of profits the entity has made during its lifetime. For a company, this is less any dividends that have been paid out to its shareholders.

Share Capital is only for Pty Ltd entities and represents the amount shareholders paid for their shares upon establishing the entity.



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