The Balance Sheet Breakdown



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.

	30 JUN 2023	30 JUN 2022
Assets		
cash within one year		
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	
	,	
Receivable funds that customers		
Accounts Receivable Tunds That customers	370,062	160,567
Accounts Receivable		
Accounts Receivable	370,062	160,567
Total Receivables OWE YOU Total Current Assets		160,567 983,688
Total Receivables OWE YOU Total Current Assets	370,062	Name of the control
Total Receivables OWE YOU	370,062	Name of the control
Total Receivables OWE YOU Total Current Assets	370,062	Name of the control
Total Receivables owe you Total Current Assets Also known as fixed, long-term, Property, Plant and Equipment or hard assets.	370,062 1,529,180	983,688
Total Receivables owe you Total Current Assets Non-Current Assets Also known as fixed, long-term, Property, Plant and Equipment or hard assets. Motor Vehicle at Cost	370,062 1,529,180 99,873	983,688 99,873
Total Receivables Owe you Total Current Assets Non-Current Assets Also known as fixed, long-term, Property, Plant and Equipment Or hard assets. Motor Vehicle at Cost Less accumulated depreciation on MV	370,062 1,529,180 99,873 (68,933)	983,688 99,873

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.

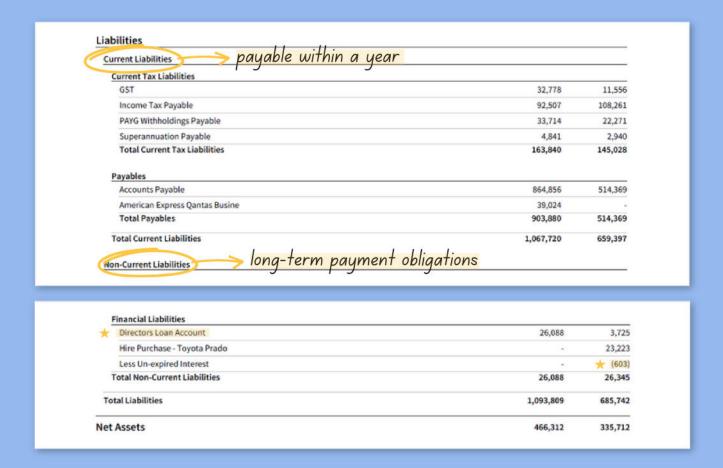
Another anomaly may be to see some numbers in brackets. This means they are being subtracted from the amount. In the excerpt above, you can see the depreciation is taken from the value of the motor vehicle.

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.

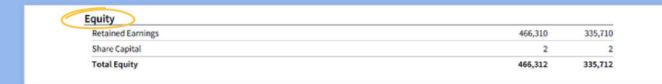


If the director owes money to the company – this is an issue and is known as a Division 7A issue within the industry, it is imperative to get professional guidance in this situation.

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

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

Next we look at Equity.



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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