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Balance sheet

This balance sheet sets out sample figures for Sam, a fictional painter. It shows two years, before and after he improves his invoicing process — see accounts receivable in the assets section. To get the most from this sample statement, read our guide to balance sheets, and follow Sam's story, on the business.govt.nz website.

Balance sheet	Current year	Last year
Assets		
Current assets:		
Cash (bank account)	4,500	3,000
Inventory (paints)	500	1,000
Accounts receivable (customers still to pay)	20,000	40,000
Pre-paid expenses (insurance + licenses)	7,000	3,500
Total current assets	**32,000**	**47,500**
Fixed assets:		
Equipment	20,000	10,000
Work vehicle	20,000	3,000
Total fixed assets	**40,000**	**13,000**
Intangible assets:		
Goodwill	1,000	10,000
Supply contract	9,000	-
Total intangible assets	**10,000**	**10,000**
Total assets	**92,000**	**61,500**
Liabilities and owner's equity		
Current liabilities:		
Accounts payable, eg to paint supplier	30,000	15,000
Accrued wages	-	-
Unearned revenue (work still to be done)	10,000	5,000
Short-term business loan	-	1,500
Income taxes payable	-	-
Total current liabilities	**40,000**	**21,500**
Long-term liabilities:		
Vehicle loan (full amount)	10,000	-
Long-term business loan (for equipment etc)	-	10,000
Total long-term liabilities	**10,000**	**10,000**
Owner's equity:		
Owner's investment capital (Sam)	10,000	10,000
Owner's accrued capital (equity built up)	22,000	20,000
Accumulated retained earnings (cash built up)	10,000	-
Total owner's equity	**42,000**	**30,000**
Total liabilities and owner's equity	**92,000**	**61,500**
Balance	**-**	**-**

There are two ways to buy assets:

1. With equity, eg money you put in to the business, or money the business makes. Equity will reduce as you increase your assets.
2. With liabilities, eg a bank loan. Your liabilities will go up as you buy more assets.

If goodwill is your main intangible asset, find ways to turn it into itemised assets, eg supply agreements.

Liabilities take value from your business in the future, eg tax to pay or loan to repay. If you borrow money to spend on an asset, the same value will show up in the assets section.

Owners equity is the dollar value the business has left after using assets to make money and considering the liabilities the business owes. You can use equity to fund business activity and growth or to pay down liabilities like debt.

A balance sheet should always balance: assets = liabilities + equity. If there are numbers in the final balance column, it doesn't matter if they are positive or negative, something is out. Check the amount that's unbalanced and see if you can match it to any line items above. If it isn't obvious, talk to your advisor.

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