

# THE BALANCE SHEET

Shows what a company has at a particular point in time

<b>ASSETS</b> Goods and resources that the company owns	<b>LIABILITIES</b> Debts of the company
	<b>OWNER'S EQUITY</b> Contribution of owners and past earnings

<b>CURRENT ASSETS</b> Assets that could be turned into cash within a year	<b>CURRENT LIABILITIES</b> Debts or obligations due within one year
<b>FIXED ASSETS</b> Assets not expected to be consumed or converted into cash within a year	<b>LONG-TERM LIABILITIES</b> Debts or obligations not due within one year
	<b>OWNER'S EQUITY</b> It can come from the owner's pocket, from stocks sold, or Retained Earnings

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

▼ Could be turned to cash in a year ONE YEAR OR LESS Will be paid off in a year ▼

## Current Assets

### Cash

Cash is the most liquid of the assets, since it's *already* cash!

### Accounts Receivable

Money that customers owe the company because they bought on credit

### Inventory

Inventory is the least liquid of the assets. It would take longer to turn into cash.

## Current Liabilities

### Accounts Payable

Money that the company owes (because they bought on credit)

### Accruals

Accruals are expenses a firm owes but hasn't paid yet. (Like wages - the employee has worked, but his check hasn't been cut yet.)

### Notes Payable

These are short-term loans the company pays interest on

▼ MORE THAN ONE YEAR ▼

## Fixed Assets

### Gross Fixed Assets

Also called **PP&E** (Property, Plant and Equipment) or **Gross PP&E**. These assets are on the books at their historical cost (what the company originally paid for them). Also called **CAPEX** (capital expenditures).

### Accumulated Depreciation

Depreciation is a non-cash expense - It's just there to give the company a tax break. So whenever you're calculating cash flows, don't count it (or add it back in).

### Net Fixed Assets

Also called **Net PP&E**. This is simply the total "on the books" of Fixed Assets. It's calculated by subtracting Accumulated Depreciation from Gross Fixed Assets.

## Long-Term Liabilities

### Long-term Debt

Loans that are longer than one year

## Owner's Equity

### Common Stock

Stocks are a piece of ownership in the company. When someone buys a stock, that money goes into Owner's Equity

### Retained Earnings

Net Income (found on the Income Statement) is the money the company made after all the expenses are paid. It will stay in the company (Retained Earnings), or get distributed to owners (Dividends).