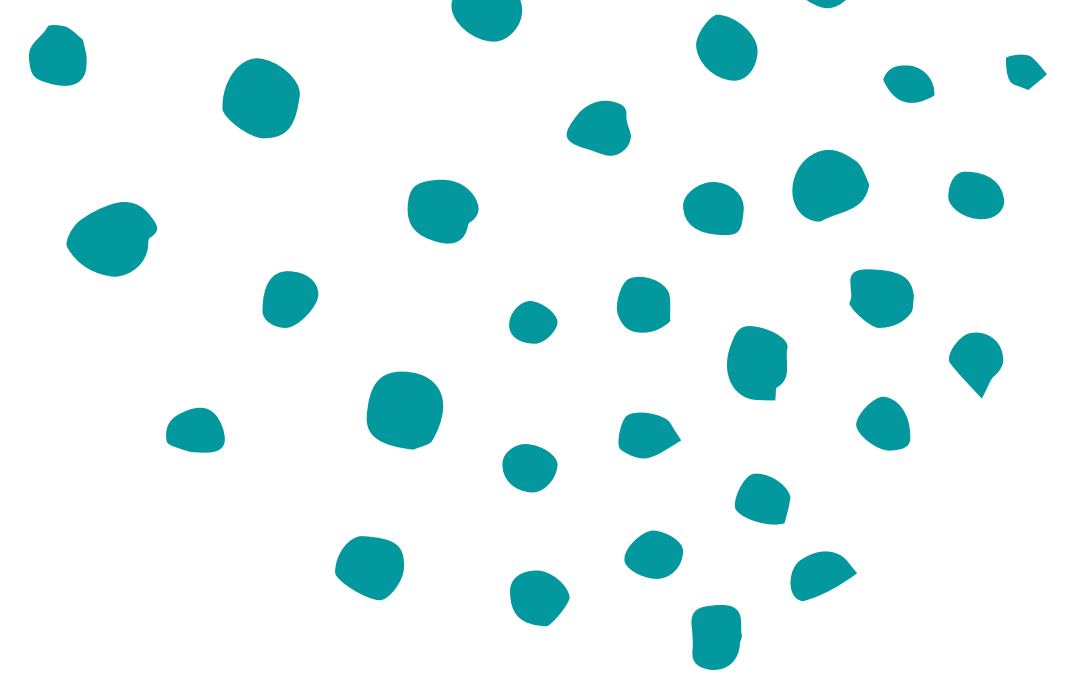


# Balance Sheets



## Overview of what we'll cover

1. Icebreaker Game
2. Recap of Other Financial Statements
3. What is on a Balance Sheet?
4. Common Balance Sheet errors
5. Why is it important to use all three financial statements



# You have three items:

- Internet
- A Phone
- A Computer

# You must:

- Throw one away
- Use one every day
- Use one once a week



# Financial Statements



- P&L or Income Statement
- Statement of Cash Flow
- Balance Sheet

# Income Statement/P&L

Revenue  
– COGS  
= Gross Profit  
– Expenses  
= Net Income/Profit



# Statement of Cash Flow

	Cash from Operating Activities
+/-	Cash from Financing Activities
+/-	Cash from Investing Activities
Net	Cash Increase or Decrease

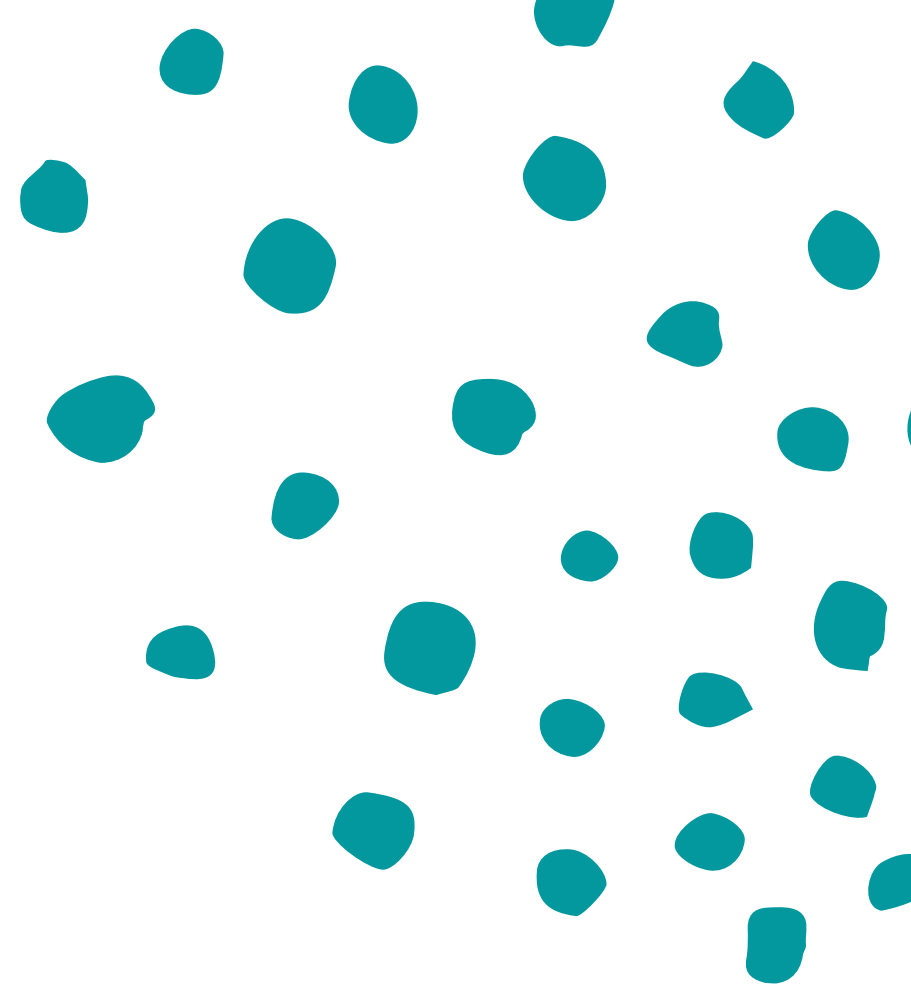
# Balance Sheet

Assets

Liabilities

Equity

# Cash vs Accrual Basis



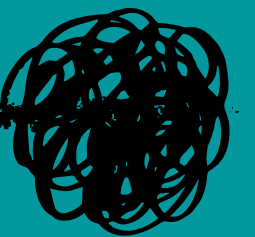
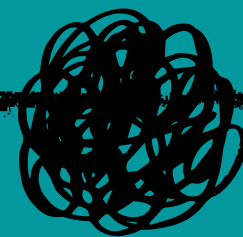
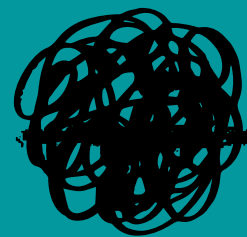
## Cash

Record income and expenses when they are paid for.

## Accrual

Record income when earned and expenses when incurred.

# Cash Basis Insurance Payment



## Bill Received

No changes to  
financial reports

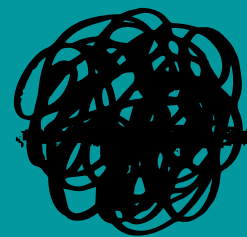
## Bill Paid

Expense is recorded  
on P&L for the full  
payment amount.

## Following Months

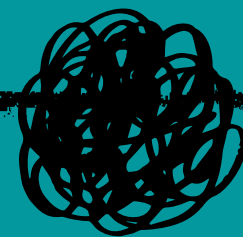
No changes in financial  
reports

# Accrual Basis Insurance Payment



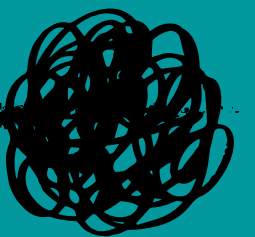
## Bill Recieved

Full amount shows  
as Accounts Payable  
on Balance Sheet



## Bill Paid

The portion of insurance that  
has been used is moved to an  
expense on P&L. The rest  
goes to Prepaid Expenses on  
Balance Sheet



## Following Months

The portion of insurance  
that was used for the  
month gets moved from  
Prepaid Expenses on  
Balance Sheet to  
insurance expense on P&L

# Report Differences

## **Accrual Balance Sheet**

- Accounts Receivable
- Accounts Payable
- Prepaid Expenses
- Accrued Income

## **Cash Balance Sheet**

- No Accounts Receivable
- No Accounts Payable
- Customer Deposits

## **Accrual P&L**

- More even income
- More even expenses

## **Cash P&L**

- Uneven income
- Uneven expenses





# Balance Sheet

## ASSETS

### Current assets

Cash

Petty cash

Temporary investments

Accounts receivable - net

Inventories

Supplies

Prepaid expenses

Total current assets

10,000

40,500

31,000

3,800

1,500

89,000

38,000

# Equation

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

# Parts of a Balance Sheet

## **Assets**

Items your company owns

## **Liabilities**

Money that your business owes.

## **Equity**

What the business is worth to the owners or stockholders

# Astoria Clothes & Gifts

## Balance Sheet

As of March 31, 2021

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Cash on hand	250.00
Checking	4,400.82
<b>Total Bank Accounts</b>	<b>\$4,650.82</b>
Other Current Assets	
Inventory Asset	22,101.45
<b>Total Other Current Assets</b>	<b>\$22,101.45</b>
<b>Total Current Assets</b>	<b>\$26,752.27</b>
Fixed Assets	
Furniture & Fixtures	1,965.61
<b>Total Fixed Assets</b>	<b>\$1,965.61</b>
<b>TOTAL ASSETS</b>	<b>\$28,717.88</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Square Gift Card	368.00
<b>Total Other Current Liabilities</b>	<b>\$368.00</b>
<b>Total Current Liabilities</b>	<b>\$368.00</b>
Long-Term Liabilities	
EIDL Loan	3,589.62
<b>Total Long-Term Liabilities</b>	<b>\$3,589.62</b>
<b>Total Liabilities</b>	<b>\$3,957.62</b>
Equity	
Owner's Equity	
Owner's Draw	-3,957.80
<b>Total Owner's Equity</b>	<b>-3,957.80</b>
Retained Earnings	31,139.39
Net Income	-2,421.33
<b>Total Equity</b>	<b>\$24,760.26</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$28,717.88</b>



A collage of images representing assets. On the left, a black and white photograph of a toy excavator and a toy dump truck. On the right, a black and white photograph of a piggy bank and a small model house. The bottom of the image features a pattern of black dots on a white background.

# ASSETS (THINGS YOU OWN)

Money in the bank, inventory,  
vehicles, equipment, office  
furniture, accounts receivable,  
trademarks, patents, goodwill



# LIABILITIES (THINGS YOU OWE)

Credit cards, loans, taxes due, deposits from customers, accounts payable



# EQUITY

Amount owners have put in or taken out of the business, stock, current year net income, retained earnings





Balance  
Sheet

C  
C  
Credit  
Card  
Payment

Cash  
Flow

C Ac D  
lr De E  
P  
Grant from  
Local  
Organization

P&L

|| || || R lr  
Rent  
Expense

Pa Pay No  
cu cus Re  
wo wo De  
do do Cu  
ful fut  
S  
C  
Shareholder  
Distribution



# Balance Sheet

Loan Principle Payment	Payment from customer for work to be done in the future	Accumulated Depreciation
Inventory	Credit Card Payment	
Net Income	PPP Loan	
Owner Investment	Shareholder Distribution	

# Cash Flow

Credit Card Payment	Net Income
Shareholder Distribution	PPP Loan
Owner Investment	Payment from customer for work to be done in the future
	Loan Principle Payment

# P&L

Revenue	Cost of Goods Sold
Depreciation Expense	Grant from Local Organization
Income	
Loan Interest Payment	Small Tools
Rent Expense	Non Refundable Deposit from Customer



Let's Dig Deeper



# Assets



**Current**



**Fixed**



**Intangible**



**Current**

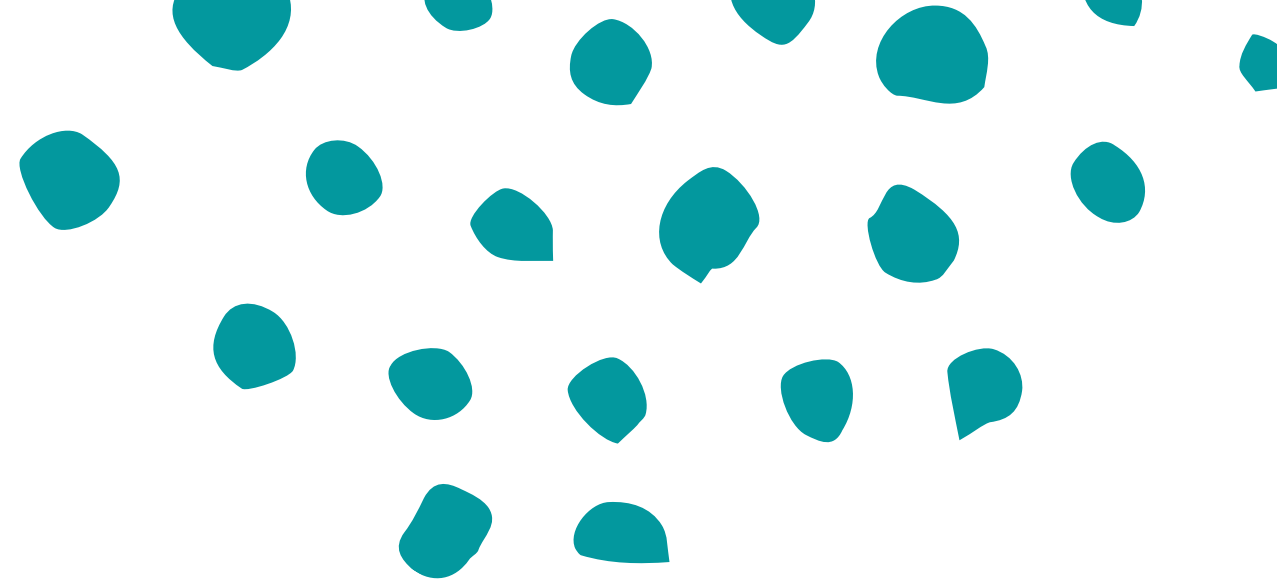
# Liabilities



**Long Term**



# Equity



**Retained Earnings**



**Net Income**



**Stock**



**Owner's Equity**



# Astoria Clothes & Gifts

## Balance Sheet

As of March 31, 2021

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Cash on hand	250.00
Checking	4,400.82
<b>Total Bank Accounts</b>	<b>\$4,650.82</b>
Other Current Assets	
Inventory Asset	22,101.45
<b>Total Other Current Assets</b>	<b>\$22,101.45</b>
<b>Total Current Assets</b>	<b>\$26,752.27</b>
Fixed Assets	
Furniture & Fixtures	1,965.61
<b>Total Fixed Assets</b>	<b>\$1,965.61</b>
<b>TOTAL ASSETS</b>	<b>\$28,717.88</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Square Gift Card	368.00
<b>Total Other Current Liabilities</b>	<b>\$368.00</b>
<b>Total Current Liabilities</b>	<b>\$368.00</b>
Long-Term Liabilities	
EIDL Loan	3,589.62
<b>Total Long-Term Liabilities</b>	<b>\$3,589.62</b>
<b>Total Liabilities</b>	<b>\$3,957.62</b>
Equity	
Owner's Equity	
Owner's Draw	-3,957.80
<b>Total Owner's Equity</b>	<b>-3,957.80</b>
Retained Earnings	31,139.39
Net Income	-2,421.33
<b>Total Equity</b>	<b>\$24,760.26</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$28,717.88</b>

# Homework

## Errors in the Balance Sheet and P&Ls

Design Company

Profit and Loss  
January - December 2020

Assume this is a single member  
LLC and taxes have been  
completed for 2020

	TOTAL
Income	
Consulting Income	2,016.00
Sales of Product Income	27,559.29
Service Income	237,039.85
<b>Total Income</b>	<b>\$266,615.14</b>
Cost of Goods Sold	
Cost of Goods Sold	179,928.06
Job Supplies	1,269.78
<b>Total Cost of Goods Sold</b>	<b>\$181,197.84</b>
GROSS PROFIT	<b>\$85,417.30</b>
Expenses	
Advertising & Marketing	7,742.24
Bank Charges & Fees	
Bank Fees	58.00
QuickBooks Payments Fees	1,642.67
<b>Total Bank Charges &amp; Fees</b>	<b>1,700.67</b>
Contractors	17,510.67
Dues & subscriptions	677.00
Insurance	512.00
Loan Payment	2,529.54
Legal & Professional Services	2,949.93
Meals & Entertainment	312.35
Office Expenses	911.25
Permits & Licenses	200.00
Postage & Delivery	72.00
Rent & Lease	8,000.00
Repairs & Maintenance	621.73
Small Tools & Equipment	427.98
Software & Computer Expenses	595.60
Utilities	2,475.47
<b>Total Expenses</b>	<b>\$47,238.43</b>
NET OPERATING INCOME	<b>\$38,178.87</b>
Other Income	
EIDL Advance	1,000.00
<b>Total Other Income</b>	<b>\$1,000.00</b>
Other Expenses	
Owner's Pay	758.35
<b>Total Other Expenses</b>	<b>\$758.35</b>
NET OTHER INCOME	<b>\$241.65</b>
NET INCOME	<b>\$38,420.52</b>

Design Company

Balance Sheet  
As of December 31, 2020

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Checking	26,986.56
<b>Total Bank Accounts</b>	<b>\$26,986.56</b>
Other Current Assets	
Accounts Receivable	358.34
<b>Total Other Current Assets</b>	<b>\$358.34</b>
<b>Total Current Assets</b>	<b>\$27,344.90</b>
Fixed Assets	
Large Equipment	185.15
Leasehold Improvements	14,667.12
Office Furniture	19,633.67
<b>Total Fixed Assets</b>	<b>\$34,485.94</b>
<b>TOTAL ASSETS</b>	<b>\$61,830.84</b>
LIABILITIES AND EQUITY	
Liabilities	
Long-Term Liabilities	
EIDL Loan	4,900.00
Sheffield Trailer Loan	5,367.05
<b>Total Long-Term Liabilities</b>	<b>\$10,267.05</b>
<b>Total Liabilities</b>	<b>\$10,267.05</b>
Equity	
Owner's Equity	
Owner's Contribution	599.02
Owner's Distribution	6,507.42
<b>Total Owner's Equity</b>	<b>7,106.44</b>
Retained Earnings	6,036.83
Net Income	38,420.52
<b>Total Equity</b>	<b>\$51,563.79</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$61,830.84</b>

Cider Company

Balance Sheet  
As of December 31, 2020

Assume this is a Sole  
Proprietor and taxes have  
not been completed for 2020

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Checking	61,274.44
Savings	28,018.24
PayPal	948.68

<b>Total Bank Accounts</b>
Accounts Receivable
Accounts Receivable (A/R)
<b>Total Accounts Receivable</b>
Other Current Assets
Cider Production Inventory
Bottles & Kegs
Cider in Conditioning Stage
Cider in Fermentation Stage
Raw Materials
<b>Total Cider Production Inventory</b>
Finished Cider
Merchandise Inventory
<b>Total Other Current Assets</b>
<b>Total Current Assets</b>
Fixed Assets
Accumulated Amortization
Accumulated Depreciation
Furniture & Fixtures
Leasehold Improvements
Production Equipment
Vehicles
<b>Total Fixed Assets</b>
<b>TOTAL ASSETS</b>

Cider Company

Balance Sheet  
As of December 31, 2020

	TOTAL
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
Bank of America	19,528.96
Wells Fargo	11,366.63
<b>Total Credit Cards</b>	<b>\$30,895.59</b>
Other Current Liabilities	
Gift Cards Payable	290.14
<b>Total Other Current Liabilities</b>	<b>\$290.14</b>
<b>Total Current Liabilities</b>	<b>\$31,185.73</b>
Long-Term Liabilities	
Business Oregon Loan	
EIDL Loan	39,600.00
Investor Loan	45,934.33
Fully Forgiven PPP Loan	10,821.00
<b>Total Long-Term Liabilities</b>	<b>\$133,855.33</b>
<b>Total Liabilities</b>	<b>\$165,041.06</b>
Equity	
Owner's Investment	15,571.15
Owner's Pay & Personal Expenses	-33,934.67
Retained Earnings	42,850.17
Net Income	-17,504.77
<b>Total Equity</b>	<b>\$6,981.88</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$172,022.94</b>

Cider Company

Profit and Loss  
January - December 2020

	TOTAL
Income	
Cider Sales	109,739.69
Discounts Given	-5,504.16
Guest Cider Sales	351.81
Membership Income	11,047.95
Merchandise Sales	2,254.76
Owner Investment	630.10
Shipping Income	
Tips Received	

<b>Total Income</b>
Cost of Goods Sold
Beer for Wholesale Sales
Cider Buy-Back
Cost of Goods Sold
3rd Party Cider/Beer for Resale
Equipment
Keg Fees
Materials
Merchandise for Retail
Supplies
<b>Total Cost of Goods Sold</b>
Distribution Costs
Payroll Expenses
Taxes
Wages
<b>Total Payroll Expenses</b>
Shipping
<b>Total Cost of Goods Sold</b>
GROSS PROFIT
Expenses
Ad-Hoc Labor
Advertising & Marketing
Bank and Merchant Fees
Computer Lease
Donation
Dues & Subscriptions
Education
Insurance
Interest Paid
Legal & Professional Services
Meals

Cider Company

Profit and Loss  
January - December 2020

	TOTAL
Office Expenses	1,313.11
Office Supplies	513.74
Operating Supplies	1,609.74
Rent & Lease	15,834.69
Repairs & Maintenance	1,144.38
Small Tools & Equipment	2,113.07
Software	2,603.78
Taxes & Licenses	2,562.89
Uniforms	1,193.72
Utilities	6,198.38
Vehicle	2,574.20
<b>Total Expenses</b>	<b>\$58,623.98</b>
NET OPERATING INCOME	<b>\$ -28,181.11</b>
Other Income	
Bank Rewards	0.76
EIDL Advance	5,000.00
Interest Income	29.84
Layoff Aversion Grant	5,000.00
Tax Refund	3,201.12
<b>Total Other Income</b>	<b>\$13,231.72</b>
NET OTHER INCOME	<b>\$13,231.72</b>
NET INCOME	<b>\$ -14,949.39</b>

## Cider Company

Balance Sheet  
As of December 31, 2020

Assume this is a Sole  
Proprietor and taxes have  
not been completed for 2020

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Checking	61,274.44
Savings	28,018.24
PayPal	948.68
<b>Total Bank Accounts</b>	<b>\$90,241.36</b>
Accounts Receivable	
Accounts Receivable (A/R)	2,111.27
<b>Total Accounts Receivable</b>	<b>\$2,111.27</b>
Other Current Assets	
Cider Production Inventory	
Bottles & Kegs	7,004.00
Cider in Conditioning Stage	2,205.00
Cider in Fermentation Stage	2,496.00
Raw Materials	853.50
<b>Total Cider Production Inventory</b>	<b>12,558.50</b>
Finished Cider	2,047.64
Merchandise Inventory	2,320.00
<b>Total Other Current Assets</b>	<b>\$16,926.14</b>
<b>Total Current Assets</b>	<b>\$109,278.77</b>
Fixed Assets	
Accumulated Amortization	1,020.00
Accumulated Depreciation	-35,878.00
Furniture & Fixtures	660.56
Leasehold Improvements	30,310.17
Production Equipment	60,581.44
Vehicles	6,050.00
<b>Total Fixed Assets</b>	<b>\$62,744.17</b>
<b>TOTAL ASSETS</b>	<b>\$172,022.94</b>

## Cider Company

Balance Sheet  
As of December 31, 2020

	TOTAL
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Credit Cards	
Bank of America	19,528.96
Wells Fargo	11,366.63
<b>Total Credit Cards</b>	<b>\$30,895.59</b>
Other Current Liabilities	
Gift Cards Payable	290.14
<b>Total Other Current Liabilities</b>	<b>\$290.14</b>
<b>Total Current Liabilities</b>	<b>\$31,185.73</b>
Long-Term Liabilities	
Business Oregon Loan	
EIDL Loan	39,600.00
Investor Loan	45,934.33
Fully Forgiven PPP Loan	10,821.00
<b>Total Long-Term Liabilities</b>	<b>\$133,855.33</b>
<b>Total Liabilities</b>	<b>\$165,041.06</b>
Equity	
Owner's Investment	15,571.15
Owner's Pay & Personal Expenses	-33,934.67
Retained Earnings	42,850.17
Net Income	-17,504.77
<b>Total Equity</b>	<b>\$6,981.88</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$172,022.94</b>



Cider Company

Profit and Loss  
January - December 2020

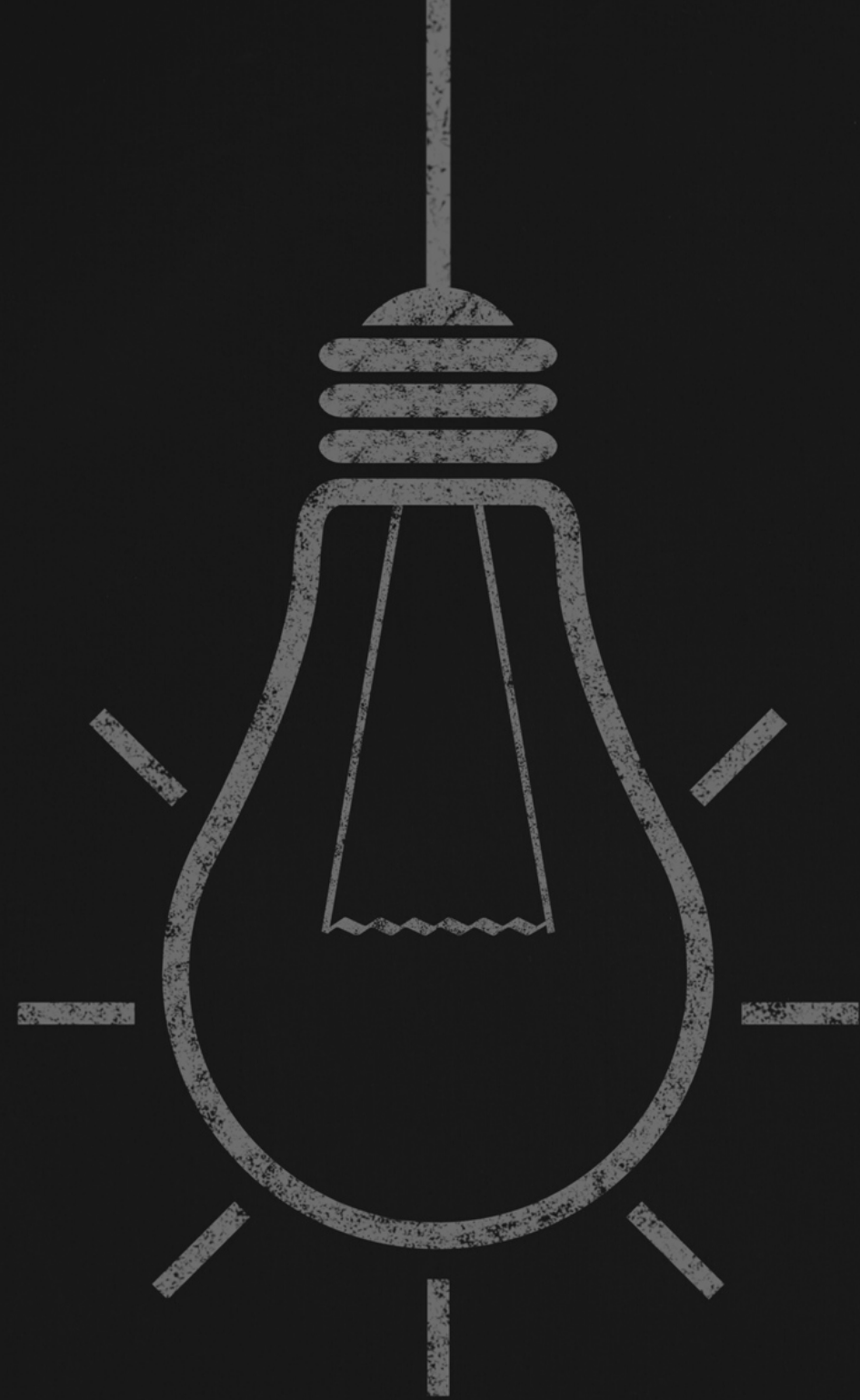
	TOTAL
Income	
Cider Sales	109,739.69
Discounts Given	-5,504.16
Guest Cider Sales	351.81
Membership Income	11,047.95
Merchandise Sales	2,254.76
Owner Investment	630.10
Shipping Income	124.90
Tips Received	1,761.57
<b>Total Income</b>	<b>\$120,406.62</b>
Cost of Goods Sold	
Beer for Wholesale Sales	401.28
Cider Buy-Back	927.43
Cost of Goods Sold	
3rd Party Cider/Beer for Resale	619.66
Equipment	399.39
Keg Fees	400.00
Materials	32,662.82
Merchandise for Retail	2,698.65
Supplies	28,562.38
<b>Total Cost of Goods Sold</b>	<b>65,342.90</b>
Distribution Costs	1,723.58
Payroll Expenses	
Taxes	2,344.32
Wages	19,166.29
<b>Total Payroll Expenses</b>	<b>21,510.61</b>
Shipping	57.95
<b>Total Cost of Goods Sold</b>	<b>\$89,963.75</b>
<b>GROSS PROFIT</b>	<b>\$30,442.87</b>
Expenses	
Ad-Hoc Labor	80.00
Advertising & Marketing	2,714.62
Bank and Merchant Fees	2,533.27
Computer Lease	417.75
Donation	414.02
Dues & Subscriptions	875.00
Education	259.57
Insurance	5,519.03
Interest Paid	4,223.67
Legal & Professional Services	2,214.84
Meals	1,710.51

Cider Company

Profit and Loss  
January - December 2020

	TOTAL
Office Expenses	1,313.11
Office Supplies	513.74
Operating Supplies	1,609.74
Rent & Lease	15,834.69
Repairs & Maintenance	1,144.38
Small Tools & Equipment	2,113.07
Software	2,603.78
Taxes & Licenses	2,562.89
Uniforms	1,193.72
Utilities	6,198.38
Vehicle	2,574.20
<b>Total Expenses</b>	<b>\$58,623.98</b>
<b>NET OPERATING INCOME</b>	<b>\$ -28,181.11</b>
Other Income	
Bank Rewards	0.76
EIDL Advance	5,000.00
Interest Income	29.84
Layoff Aversion Grant	5,000.00
Tax Refund	3,201.12
<b>Total Other Income</b>	<b>\$13,231.72</b>
<b>NET OTHER INCOME</b>	<b>\$13,231.72</b>
<b>NET INCOME</b>	<b>\$ -14,949.39</b>





# The Big Picture



## Balance Sheet

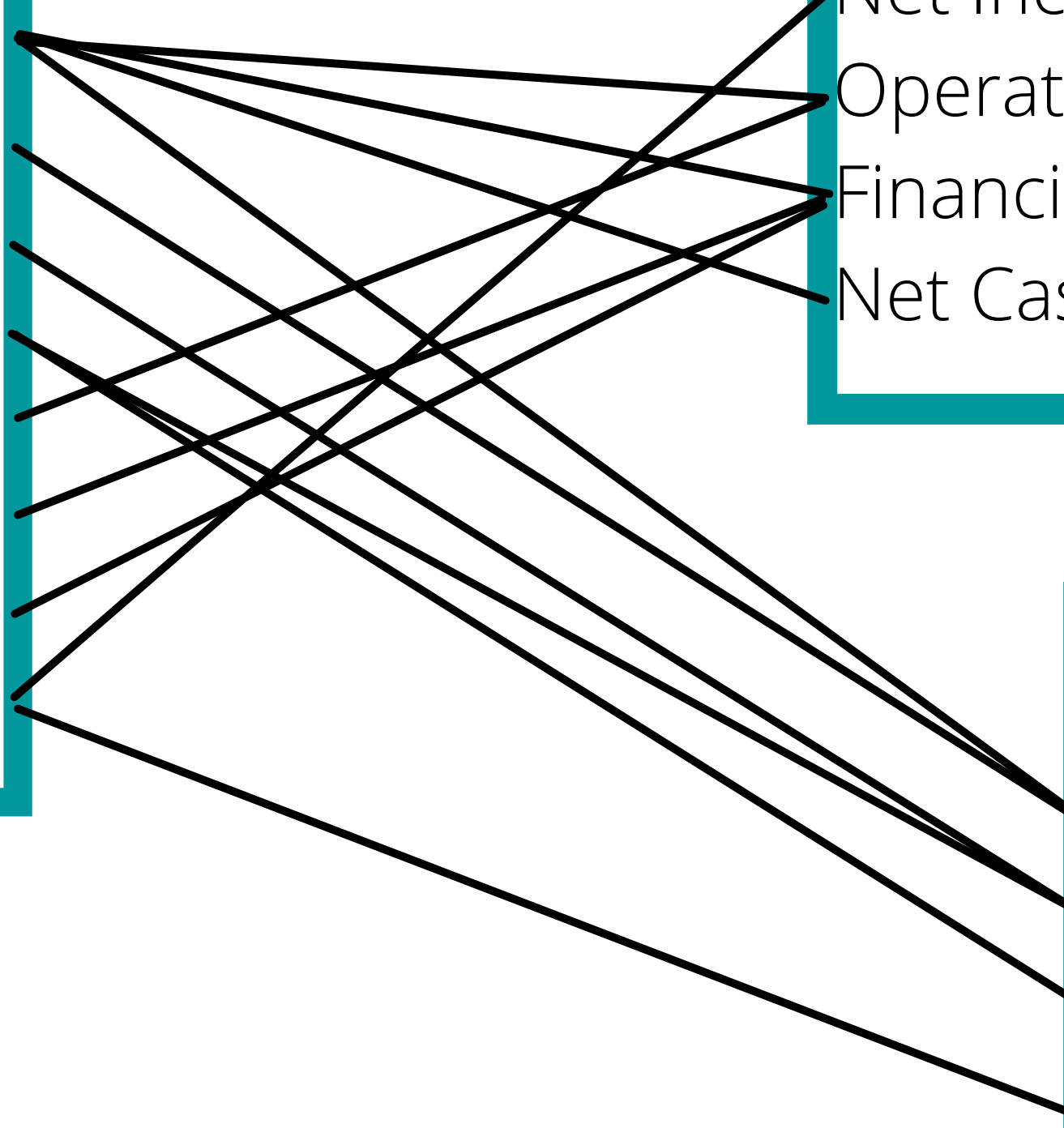
Cash  
Accounts Receivable  
Inventory  
Accounts Payable  
Short Term Liabilities  
Long Term Liabilities  
Owner Equity  
Net Income

## Statement of Cash Flow

Net Income  
Operating Activities  
Financing Activities  
Net Cash Increase for Period

## Income Statement

Revenue  
Cost of Goods Sold  
Expenses  
Net Income



Use all three statements



# Breakout

**How can looking at all three statements help you in your business?**

- **Give examples of how it helped you in the past**
- **Think about how it can help you reach your goals**
- **Talk about how you can make a plan to get the most from your financial statements**

