



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)	7,500	3,000
Inventory (paints)	500	1,000
Accounts receivable (customers still to pay)	20,000	36,000
Pre-paid expenses (insurance + licenses)	7,000	3,500
Total current assets	35,000	43,500
Fixed assets:		
Equipment	20,000	5,000
Work vehicle	25,000	3,000
Total fixed assets	45,000	8,000
Intangible assets:		
Goodwill	3,000	10,000
Supply contract	9,000	-
Total intangible assets	12,000	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.