

CONCEPT: CLASSIFIED BALANCE SHEET COMPONENTS

- The **balance sheet** shows the company's assets, liabilities, and equity at a _____
- A **classified balance sheet** splits up assets and liabilities into _____ categories.
 - **Current Assets** – any asset that can or will be converted into _____ within _____
 - **Long Term Assets** – assets that will be in use by the company for longer than _____
 - **Current Liabilities** – any liability that must be paid (cash outflow) within _____
 - **Long Term Liabilities** – liabilities that will not be paid back for more than _____
- Current assets are presented in order of **liquidity**, starting with the most liquid.
 - **Liquidity** – how easily the asset can be converted into cash
 - In general, the order of liquidity is:
 - 1.
 - 2.
 - 3.
 - 4.
 - 5.

Balance Sheet for XYZ Company

on December 31, 2015

Assets

| | |
|----------------------|----------------------------|
| Cash | \$ 350,000 |
| Accounts Receivable | 410,000 |
| Inventory | 850,000 |
| Prepaid Expenses | 250,000 |
| Total Current Assets | 1,860,000 |
| Land | 1,500,000 |
| Equipment (net) | 2,800,000 |
| Total Fixed Assets | 4,300,000 |
| Total Assets | <u><u>\$ 6,160,000</u></u> |

Liabilities

| | |
|-----------------------------|------------------|
| Accounts Payable | \$ 420,000 |
| Accrued Expenses | 680,000 |
| Short-term Debt | 440,000 |
| Total Current Liabilities | <u>1,540,000</u> |
| Bonds Payable | 1,000,000 |
| Notes Payable | <u>500,000</u> |
| Total Long Term Liabilities | <u>1,500,000</u> |
| Total Liabilities | <u>3,040,000</u> |

Equity

| | |
|------------------------------|----------------------------|
| Common Stock (\$5 par) | 750,000 |
| Additional Paid-in Capital | 1,250,000 |
| Retained Earnings | <u>1,120,000</u> |
| Total Equity | <u>3,120,000</u> |
| Total Liabilities and Equity | <u><u>\$ 6,160,000</u></u> |