Balance Sheet - example

ASSETS

Current assets

Cash & cash equivalents	$100,000
Accounts receivable	20,000
Inventory	15,000
Prepaid expenses	4,000
Investment	10,000
Total current assets	**$149,000**

Property and equipment

Land	$24,300
Buildings / Improvements	250,000
Equipment	50,000
Less accumulated depreciation	(5,000)

Other assets

Intangible assets	$4,000
Less accumulated amortization	(200)
Total assets	**$472,100**

LIABILITIES

Current liabilities

Accounts payable	$30,000
Notes payable	10,000
Accrued expenses	5,000
Deferred revenue	2,000
Total current liabilities	**$47,000**
Long-term debt	**$200,000**
Total liabilities	**$247,000**

Shareholder's equity

Common stock	$10,000
Additional paid-in capitol	20,000
Retained earnings	197,000
Treasury stock	(2,000)

Total liabilities /shareholder's equity
$472,1000

Profit & Loss statement- example

i.e. Starting Date January 1, 2026 to Ending Date January 31, 2026

Revenue

Sales revenue	$585,460.00
Other revenue	$27,865.00
Gross Revenue	**$613,325.00**

Cost of Goods Sold

COGS	$84,762.00
Total COGS	**$84,762.00**

Gross Profit

Gross Revenue minus GOGS $528,563.00

Expenses

Wages / benefits	$225,000.00
Rent / mortgage	18,500.00
Utilities	11,462.00
Office Supplies	2,500.00
Internet, phone	800.00
Travel	2,000.00
Insurance	1,648.00
Interest	1,500.00
Depreciation	4,560.00
Taxes	18,500.00
Other expenses	10,000.00
Total expenses	**$296,470.00**

Net income

Gross Profit minus total expenses $232,093

Terms

Accounts payable (AP) is the total sum a company owes to its suppliers and vendors for goods or services it has received but not yet paid for. It represents a short-term liability on a company's balance sheet, typically due within a year. The accounts payable process involves receiving an invoice, verifying it, and paying the amount due according to the vendor's terms.

Accounts Receivable (AR) is money customers owe a company for goods or services provided on credit but not yet paid. It's recorded as a current asset on the balance sheet because it's expected to convert to cash within a year.

- Future Cash Inflow: Represents customer payments due.
- Credit Sales: Created when payment is deferred.
- Balance Sheet Item: Listed under current assets.
- Opposite of AP: AR is money owed to the business; accounts payable is money the business owes others.

Accrued expenses are costs a business has incurred but not yet paid or billed for. Under accrual accounting, these expenses are recorded in the financial period in which they occur, not when cash is exchanged, to provide a more accurate representation of financial performance. Common examples include wages or the cost of utilities used but not yet billed

Balance Sheet provides a snapshot of a company's financial position at a specific date, showing assets (what it owns), liabilities (what it owes), and shareholders' equity (owners' stake). It follows the equation Assets = Liabilities + Equity and helps assess financial health, liquidity, and solvency.

- Assets: Resources with economic value.
  - Current: Convertible to cash within a year (cash, receivables, inventory).
  - Non-Current: Held longer than a year (property, equipment, intangibles).
- Liabilities: Debts and obligations.
  - Current: Due within a year (accounts payable, short-term loans).
  - Non-Current: Due after a year (long-term loans, bonds).
- Equity: Net assets after liabilities.

Cash and Cash Equivalents (CCE) are a company's most liquid assets, comprising cash (in the form of currency, checks, and balances in checking/savings accounts) and cash equivalents—short-term, highly liquid investments with an original maturity of three months or less.

- Cash: Physical currency and immediately accessible bank balances.
- Cash Equivalents: Short-term investments that are easily converted to cash with little value risk.

A Cash Flow Statement is a financial report that details a company's cash inflows and outflows over a specific period, categorized into operating, investing, and financing activities. It shows how a business generates and uses cash, providing insight into its ability to meet short-term obligations, fund operations, and invest in the future.

Cost of Goods Sold (COGS) represents the direct costs a business incurs to produce or acquire the goods it sells, and it appears on a company's income statement to determine gross profit. COGS is calculated as Beginning Inventory + Purchases - Ending Inventory. Key components include raw materials, direct labor, and manufacturing supplies; however, this excludes indirect costs such as marketing, sales salaries, and overhead.

Current liabilities are a company's financial obligations due within one year or the operating cycle, including accounts payable, short-term loans, and accrued expenses.They appear on the balance sheet below current assets and show a company's ability to meet its short-term debts using current assets. Common examples include accounts payable, salaries payable, taxes payable, and deferred revenues.

Deferred revenue, also known as unearned revenue, is a liability on a company's balance sheet representing payments received for goods or services that have not yet been delivered or rendered. This advance payment is recorded as a liability because the company still has an obligation to provide the product or service in the future. As the company fulfills its obligation, a portion of the deferred revenue is recognized as earned revenue, reducing the liability and increasing the revenue account.

Depreciation is an operating expense reflecting the portion of an asset's cost allocated to a period. It reduces profit on the P&L without cash outflow. Accumulated depreciation on the balance sheet lowers the asset's book value as a contra-asset.

Gross profit is a company's revenue minus the cost of goods sold (COGS). This calculation represents the profit earned from selling products or services before other operating expenses, like rent or taxes, are deducted. It is a measure of how efficiently a company produces and sells its goods or services and can be found on a company's income statement.

Gross revenue is a company's total income from sales of products and services before any deductions for returns, discounts, allowances, or other business expenses. It represents the "top line" on an income statement, showing the total amount of money a business brings in from its core operations, and serves as an indicator of sales performance and potential for growth.

Investments are assets, not liabilities. Assets are what a company owns to generate future income, while liabilities are what it owes.

- Classification:
  - Short-Term Investments: Held less than a year; listed under current assets (e.g., marketable securities, treasury bills, money market funds).
  - Long-Term Investments: Held over a year; listed under non-current assets (e.g., stocks, bonds, real estate, equity stakes).

Investments may be funded by liabilities or equity, but the investments themselves are never liabilities such as accounts payable, loans, or taxes owed.

Intangible assets are non-physical, long-term resources with value, such as patents, trademarks, copyrights, goodwill, software, and proprietary knowledge. Though not tangible like buildings or equipment, they can greatly influence a company's performance, value, and marketability.

Less accumulated amortization means the net value of an intangible asset on a company's balance sheet after the total cost that has been expensed over time is subtracted from its original cost. It's a subtraction within the "contra-asset" category, where the total amount of an intangible asset's value that has been expensed is shown to arrive at the asset's current book value

Long-term debt (LTD) is a company's financial obligations with a maturity of more than one year. It is reported on the balance sheet as a non-current (or long-term) liability and represents a key component of a company's capital structure, providing insight into its financial leverage and health.

Notes payable are a formal, written promise from a borrower to a lender to repay a specific sum of money within a defined timeframe, typically with interest. These are recorded as a liability on a company's balance sheet and can be for short-term or long-term debts, often used to finance significant purchases or operations.

Prepaid expense is an asset for goods or services paid for in advance but not yet used. It's recorded on the balance sheet as a future benefit and gradually expensed on the income statement as the benefit is received.

Profit and Loss (P&L) statement (aka, Income Statement) is a financial report detailing a business's revenues, costs, and expenses over a specific period, like a month, quarter, or year, to determine its net profit or loss. Also known as an income statement, this document provides insights into a company's financial performance and operational health, helping businesses and investors understand profitability and make informed strategic decisions.

Shareholder equity represents a company's total assets minus its total liabilities, or the residual net worth belonging to its shareholders. It's calculated on a company's balance sheet and provides insight into the financial health and value of a corporation from the perspective of its owners. Key components of shareholder equity include contributed capital (money invested by shareholders), retained earnings (accumulated profits not paid out as dividends), and treasury stock (shares repurchased by the company)

Total assets represent everything a person or company owns that has economic value, encompassing all current assets (like cash, inventory, and accounts receivable) and non-current (or fixed) assets (such as property, plant, equipment, and intangible assets). This sum is a fundamental component of the accounting equation (Assets = Liabilities + Equity), providing a snapshot of an entity's financial position.

Total liabilities on a balance sheet represent a company's total financial obligations to outside parties and are calculated by summing all short-term (current) and long-term (non-current) liabilities, such as loans, accounts payable, and other debts, within the accounting period. The total liabilities figure is essential for assessing a company's financial health and solvency by showing how much money the company owes to others

Total Liabilities & Shareholders' Equity refers to the sum of all obligations a company owes to external parties (liabilities) and the owners' stake in the company (shareholders' equity). Together, these two figures are equal to the company's Total Assets on the balance sheet, representing the total value of everything the company owns.