



# **SNS COLLEGE OF TECHNOLOGY**

**(An Autonomous Institution)**



**COIMBATORE-35**

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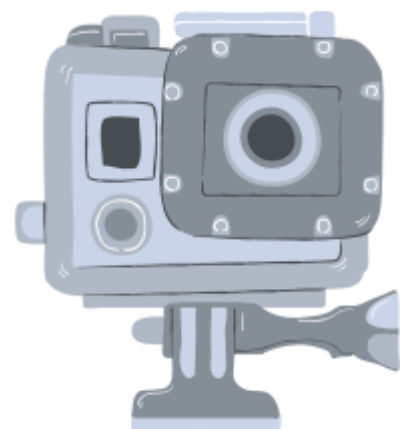
**DEPARTMENT OF ELECTRICAL AND ELECTRONICS ENGINEERING**

**COURSE NAME: 19MEE301/ ENGINEERING ECONOMICS AND COST  
ANALYSIS**

**III YEAR / V SEMESTER**

**Unit 4 –FINANCING**

**Topic 2: BALANCE SHEET**



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01/14

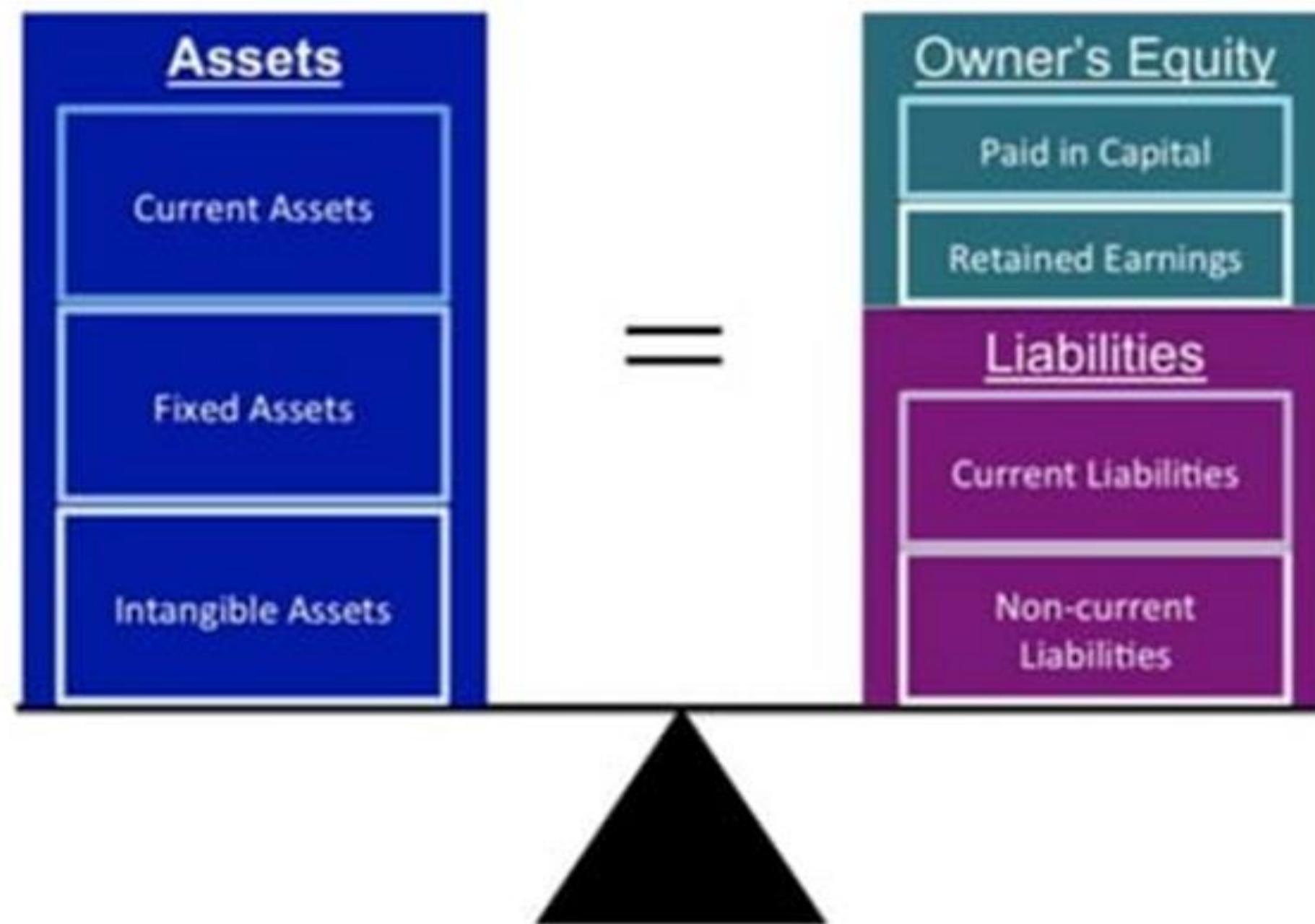


# Introduction:





# Balance Sheet:



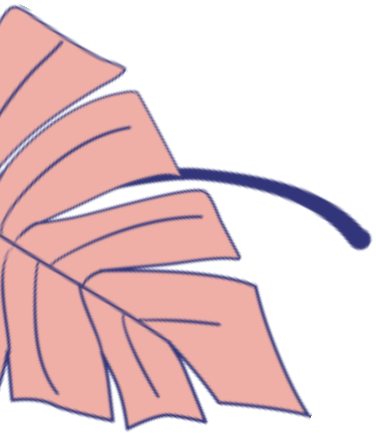
A Balance Sheet is **one** of the **financial statements**. A Balance Sheet is a **statement of assets and liabilities** of an enterprise at a given date. It is also called Statement of Financial Position.



# Cont...



- ❖ Balance Sheet will summarize the financial condition of the business **at a point in time** and it is described as a **snapshot of a company**.
- ❖ Balance Sheet shows the **assets, liabilities and Equity** at a certain time, usually at the end of a fiscal quarter or year.
- ❖ Balance sheet presents **assets on left hand side and equity and liabilities on the right hand side**. Some use Assets at the top and Equity and Liabilities at the bottom of the page but the concept is the same.



# Features of Balance Sheet

- ❖ A balance sheet is **only a statement and not an account**. It has no debit side or credit side. The headings of the two sides are 'Assets' and 'Liabilities'.
- ❖ It is prepared **at a particular point of time and not for a particular period**. The information contained in it is true only at the particular point of time at which it is prepared.
- ❖ It is a **summary of balances of those ledger accounts** which have **not been closed** by transfer to the Trading and P & L Account.
- ❖ It **shows the nature and value of assets** and the **nature and the amount of liabilities** at a given date.



# Need for Balance Sheet



- ❖ To ascertain **the nature and value of assets** of a business.
- ❖ To ascertain **the nature and amount of liabilities** of a business.
- ❖ To find out **the financial solvency** of an enterprise. An enterprise is considered to be **a solvent if its assets exceed its external liabilities.**



# Basic Principle of Balance Sheet



- ❖ Most businesses borrow money to help them to operate.
- ❖ A balance sheet has a special section – called **liabilities**. This shows how much money has been borrowed or invested – and where it came from.
- ❖ The term 'balance' means that all the money invested or borrowed must be accounted for in another section, called **assets**.



# General Format of Balance Sheet

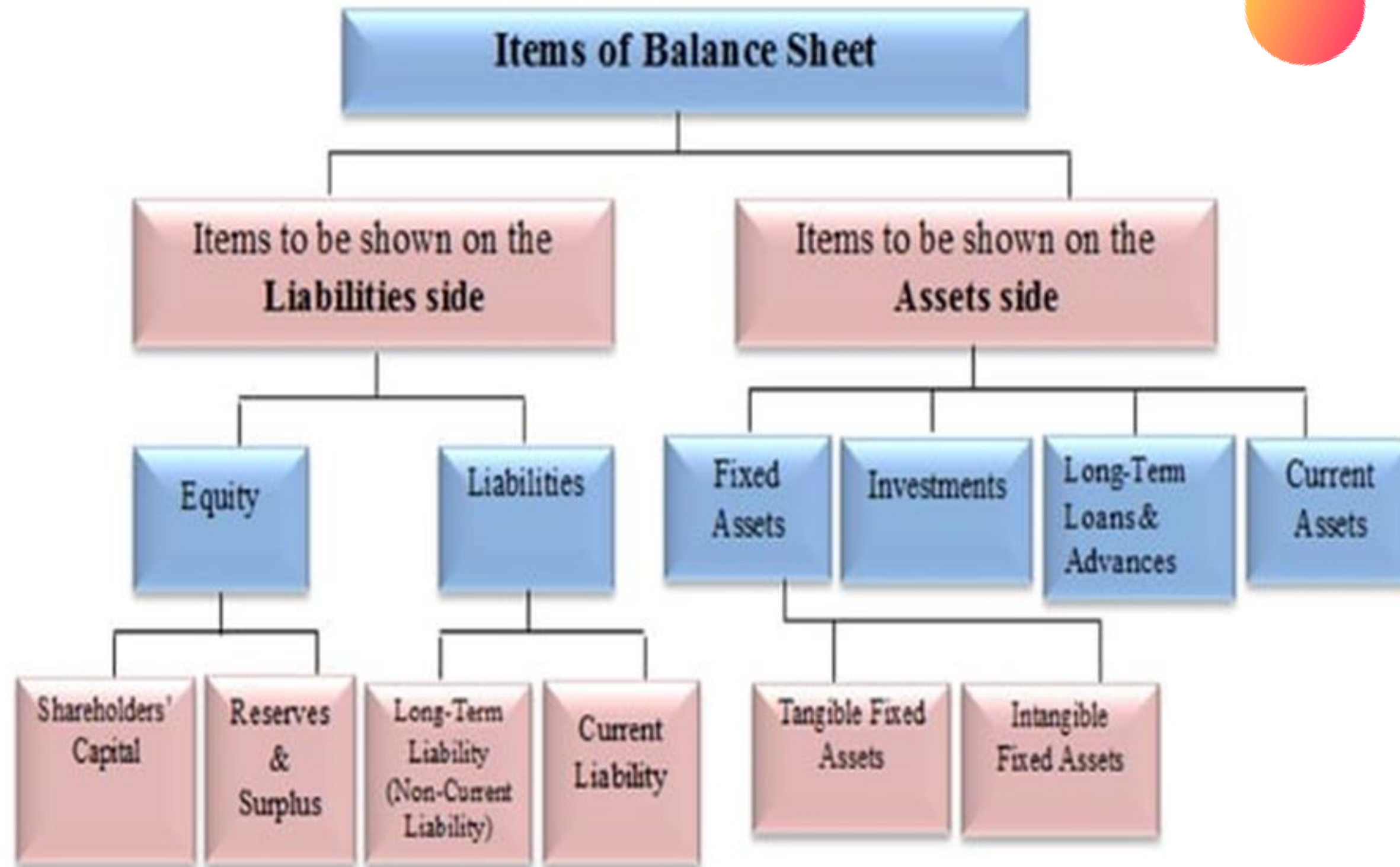


Assets		Liabilities	
Current assets	\$XXX	Current liabilities	\$XXX
Noncurrent assets	XXX	Noncurrent liabilities	XXX
		Total liabilities	\$XXX
<u>Total assets</u>	<b>\$XXX</b>	<b>Owner's equity</b>	XXX
		<u>Total liabilities and</u>	
		<u>owner's equity</u>	<b>\$XXX</b>





# Content arrangement in Balance sheet





# What are assets and liabilities??

## Current assets include:

- ❖ Items used and replaced regularly e.g., raw materials or stock.
- ❖ Customers who owe money (called **debtors**) for goods they have bought.
- ❖ Money in the current bank account.

## Current liabilities are:

- ❖ Money the business owes to suppliers (called **creditors**) for goods purchased on credit.
- ❖ Short term loans.





# What are assets and liabilities??

**Liabilities** also includes capital and reserves.

- ❖ **Share capital** is money which shareholders have invested in the business.
- ❖ **Reserves** = profit from previous years which has been kept to finance future developments.
- ❖ **Profit and loss account** = money kept back from the current year's profits.



# Sample Balance sheet

## TEDDY FABRICS BALANCE SHEET

ASSETS		LIABILITIES AND SHAREHOLDERS' EQUITY	
<b>Current assets</b>		<b>Current liabilities</b>	
Cash and cash equivalents	100,000	Accounts payable	30,000
Accounts receivable	20,000	Notes payable	10,000
Inventory	15,000	Accrued expenses	5,000
Prepaid expense	4,000	Deferred revenue	2,000
Investments	10,000	<hr/>	<hr/>
<b>Total current assets</b>	<b>149,000</b>	<b>Total current liabilities</b>	<b>47,000</b>
<b>Property and equipment</b>		Long-term debt	200,000
Land	24,300	<b>Total liabilities</b>	<b>247,000</b>
Buildings and improvements	250,000	<b>Shareholders' Equity</b>	
Equipment	50,000	Common stock	10,000
Less accumulated depreciation	(5,000)	Additional paid-in capital	20,000
<b>Other assets</b>		Retained earnings	197,100
Intangible assets	4,000	Treasury stock	(2,000)
Less accumulated amortization	(200)	<b>Total liabilities and shareholders' equity</b>	<b>472,100</b>
<b>Total assets</b>	<b>472,100</b>		



# Balance sheet Analysis

- ❖ Used to measure the financial condition of the business (management tool):
  - Compare to other, but similar businesses.
  - Compare to the same business over time.
- ❖ Lenders use balance sheet analysis to make lending decisions and to monitor the financial progress of their customers.





*Thank  
You!*

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