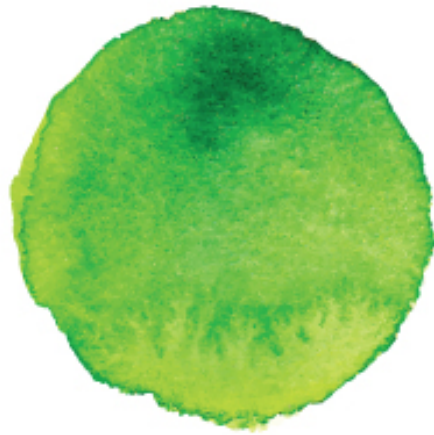




# THE BALANCE SHEET

CLARITY IN NUMBERS



**rubycube**  
consulting

## ■ OUR MISSION

# To change lives – one small business at a time

Registered BAS & Tax Agents

Top 50 Hubdoc Cloud Accountant 2017 and 2018

Certified Silver Xero Partner

Certified Platinum Quickbooks Online Partner

Silver ServiceM8 Partner

*A clear vision, backed by definite plans, gives you a  
tremendous feeling of confidence & personal power  
- Brian Tracy*

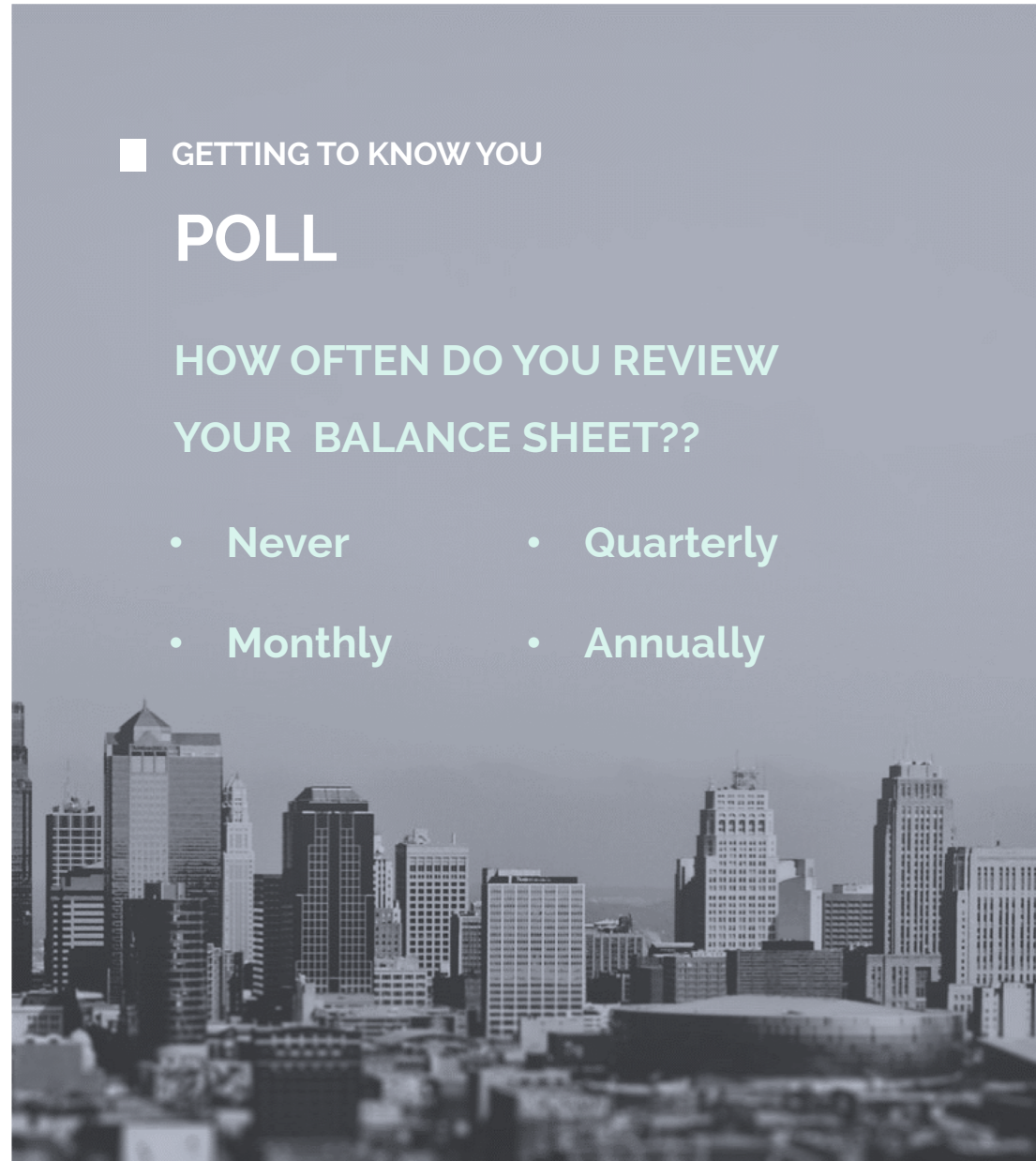


■ GETTING TO KNOW YOU

## POLL

HOW OFTEN DO YOU REVIEW  
YOUR BALANCE SHEET??

- Never
- Quarterly
- Monthly
- Annually



## THE BALANCE SHEET / STATEMENT OF FINANCIAL POSITION

# WHAT IS IT????

A Balance Sheet also known as a "Statement of Financial Position" shows the assets, liabilities and owners' equity (net worth) of a business at a particular point in time.

The balance sheet, together with the profit loss and cash flow statement make up the financial statements of the business.

A balance sheet provides an insight into the health of your business. For example:

- Will I be able to pay my bills?
- How much debt do I have?
- What equity do I have in my business?

A successful business has a strong balance sheet typically showing more assets than liabilities therefore a positive owners' equity. A negative owners' equity could indicate insolvency.



## THE BALANCE SHEET

# EQUATION



## WHAT'S OWNED

# ASSETS

Anything of value or a resource of value that can be converted into cash or from which a business might benefit in some way by owning or using

### CURRENT ASSETS

Cash and other liquid assets, short term investments (less than 12 months), accounts receivable, inventory, prepaid expenses

### NON-CURRENT ASSETS

long term investments (over 12 months) and include loans owed to the business as well as fixed assets & intangibles.

Fixed assets - Property plant and equipment, assets listed in a small business pool

(less depreciation)

Intangible assets - Goodwill, trademarks and patents, trade names, customer lists





## ■ WHAT'S OWED

# LIABILITIES

Financial debts or obligations that arise during the course of operations

### ● CURRENT LIABILITIES

Credit cards, short term debt (less than 12 months), accounts payable, prepaid income, customer deposits, tax liabilities/GST, employment liabilities - super payable, payroll clearing, PAYG withholding.

### ● NON-CURRENT LIABILITIES

Long term debts not due to be paid within 12 months in the normal course of business such as loans owed to others, hire purchase/chattel mortgages



## WHAT'S YOURS

# OWNERS' EQUITY

What is left over after liabilities have been subtracted from the assets of the business. This equity is the investment by the owner plus any profits or minus any losses that have accumulated in the business.

### ● SOLE TRADER

Capital introduced, drawings, retained and current earnings

### ● COMPANY

Share capital, dividends paid, retained and current earnings

### ● TRUST

Undistributed profit / loss





# DEMONSTRATION

## THE BALANCE SHEET

- Where to find your reports
- How to 'star' reports
- What to look for when reviewing your report
- How to customize your reports
  - Trend reports
  - Compare this year / last year

## ■ THE BALANCE SHEET

# WHAT TO LOOK FOR



### CHECK FOR ACCURACY

- Scan your Balance Sheet, looking for odd amounts or suspicious figures – look for negative amounts.
- Contrast This Year and Last Year figures
- Check that the control accounts 'balance' – ensure totals on the Payables & Receivables reports are the same as the Balance Sheet accounts
- Match balances of all bank accounts in your Balance Sheet against bank statements – formally reconcile your bank accounts
- Match the assets on your Balance Sheet against your depreciation schedule
- Current Year Earnings should equal Net Profit/ (Net Loss) on the Profit & Loss
- Check your clearing account balances – such as payroll clearing and suspense clearing



### HOT TIP

Almost all mistakes on the Balance Sheet can be detected merely by reading every line on the report.  
Do the figures 'make sense'?

## INTERACTION WITH OTHER REPORTS

# FINANCIAL STATEMENTS

The purpose of financial statements is to communicate. Financial statements tell you and others the state of your business. The three most commonly prepared financial statements for a small business are a balance sheet, an income statement, and a cash flow statement.

### ● PROFIT & LOSS STATEMENT

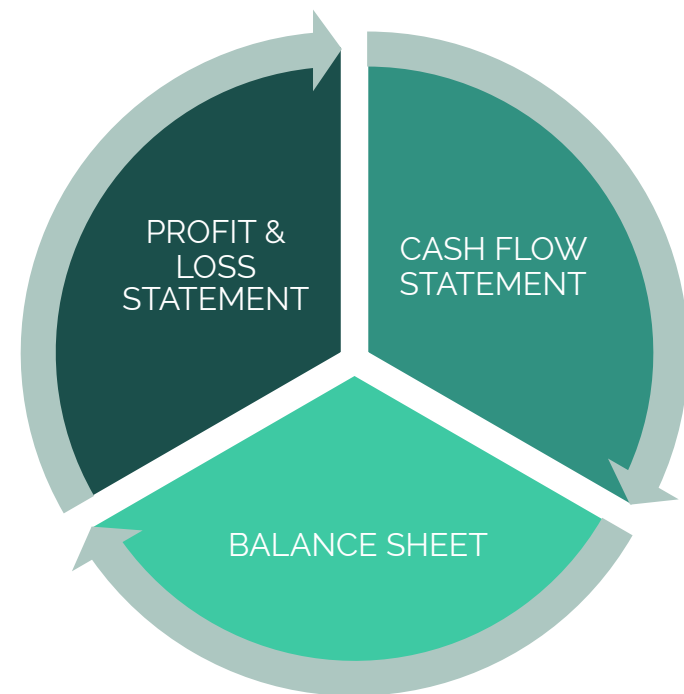
Presents the revenues, expenses, and profits/losses generated during the reporting period.

### ● CASH FLOW STATEMENT

Presents the cash inflows and outflows that occurred during the reporting period.

### ● BALANCE SHEET

Presents the assets, liabilities, and equity of the business at a specific point in time



## INTERACTION WITH OTHER REPORTS

### TRANSACTION PERIOD

#### CASH FLOW STATEMENT

Opening Cash  
 + Cash from Operations  
 + Cash From Investing  
 + Cash from Financing  
 \_\_\_\_\_  
 = **Net Change in Cash**

#### PROFIT & LOSS

Revenue  
 - Expenses  
 \_\_\_\_\_  
 = **Net Profit**

### POINT IN TIME

#### BALANCE SHEET

**Cash**  
 + Other Assets  
 \_\_\_\_\_  
 = Total Assets  
 - Liabilities  
 \_\_\_\_\_  
 = Owners' Equity



## RATIOS

# LIQUIDITY & SOLVENCY RATIOS



AIM FOR  
2

TOTAL CURRENT ASSETS / TOTAL CURRENT LIABILITIES

### CURRENT RATIO

A measure of financial strength.

Do I have the right balance of receivables, inventory and payables?



AIM FOR  
0.5 - 1

(CURRENT ASSETS - INVENTORIES) / CURRENT LIABILITIES

### QUICK RATIO

A measure of a businesses liquidity

How easily can I pay my bills?



AIM FOR  
a positive  
number

TOTAL CURRENT ASSETS - TOTAL CURRENT LIABILITIES

### WORKING CAPITAL

A measure of a businesses liquidity

How easily can I pay my bills?



AIM FOR  
2 : 1  
CA : CL

DEBT / EQUITY

### DEBT TO EQUITY

A measure of a businesses short term liquidity

How much of the business do I own compared to how much I borrow?





# DEMONSTRATION

## DASHBOARD & RATIOS

- Show accounts on the dashboard
- How to add inbuilt ratios to the dashboard
- The Executive Summary report – how to locate & why to look at it

## NEXT STEPS

# THINGS TO DO

- Prioritise your bookkeeping
- Keep your business & personal expenses separate
- Regularly reconcile bank accounts
- Review your ratios
- Do a budget
- Monitor your cash flow
- Garbage in, garbage out – are you the best person to be doing the bookkeeping?

## ■ NEED ASSISTANCE?

# WHERE TO NEXT?

If you would like further assistance, you can contact your current Bookkeeper or Accountant.

Alternatively you can reach out to us by booking a free 20 min chat in my calendar at a time that suits you:

<https://rubycube.as.me/Lifestyle-Tradie>

### How we can help:

- Complete a health check on your accounting file
- Setup cloud accounting software
- Accounting software conversions
- Work flow review & assistance with software selection
- Full service bookkeeping and tax
- We can be your 'Email a friend' or lifeline for ad hoc assistance
- Sounding board and cheer squad

## QUESTIONS???

