

## Unit 13 The Classified Balance Sheet

I. A classified balance sheet breaks assets and liabilities into useful subcategories.

II. Asset Categories Google "Excel Internet Library" for beginning to advanced learning materials.

A. **Current assets** are items that will be turned into cash, sold, or consumed within one year or operating period.

B. **Property, plant, and equipment (long-term-assets)** are items that will benefit the company for many operating periods.

III. Liability Categories Google "MBA Internet Library" for help getting accepted, graduating, and getting a job.

A. **Current liabilities** are due within one year or operating period.

B. **Long-term liabilities** are due in more than a year.

Google "Software Tutorial Internet Library" for help learning many software packages.

IV. A classified balance sheet makes possible many interesting financial measurements.

A. **Working capital** equals current assets minus current liabilities.

It measures the ability of a company to meet current obligations.

B. Other important financial measures will be reviewed in Units 15 and 16.

**Note:** The page 5 opening balance sheet has been expanded to include many important items.

<b>Quick Company Balance Sheet December 31, 1997</b>			
<b>ASSETS</b>			
<b>Current Assets<sup>1</sup></b>			
Cash		\$1,100,000	
Accounts Receivable	\$1,100,000		
Allowance for Bad Debts	<u>100,000</u>	1,000,000	
Prepaid Expenses		100,000	
Inventory		<u>800,000</u>	
<b>Total Current Assets</b>			<b>\$ 3,000,000</b>
<b>Property, Plant, and Equipment</b>			
Land		\$9,000,000	
Fixed Assets	\$6,000,000		
Less: Accumulated Depreciation	<u>300,000</u>	<u>5,700,000</u>	
<b>Total Property, Plant, and Equipment</b>			<b><u>14,700,000</u></b>
<b>Total Assets</b>			<b><u><u>\$17,700,000</u></u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 890,000		
Salaries Payable	<u>10,000</u>		
<b>Total Current Liabilities</b>			<b>\$ 900,000</b>
<b>Long-Term Liabilities</b>			
Notes Payable		<u>8,500,000</u>	
<b>Total Liabilities</b>			<b>\$ 9,400,000</b>
<b>STOCKHOLDERS' EQUITY</b>			
Total Contributed Capital		\$8,000,000	
Net Income	\$ 500,000		
Dividend	<u>200,000</u>		
Retained Earnings		<u>300,000</u>	
<b>Stockholders' Equity 12/31/97</b>			<b><u>8,300,000</u></b>
<b>Total Liabilities and Stockholders' Equity</b>			<b><u><u>\$17,700,000</u></u></b>

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<sup>1</sup>Assets are listed in order of decreasing liquidity.  
The more liquid an asset, the easier it can be converted to cash.