



5.4 Statement of Financial Position

What are the components of a balance sheet?

1. Assets – value owned by business
 - a. Current Assets => inventory, cash/bank, accounts receivable (debtors)
 - b. Non-current assets => fixed assets => capital equipment/machines
2. Liabilities – value owed by business
 - a. Current Liabilities => trade credit, short-term loans (overdraft, credit cards)
 - b. Non-current Liabilities => Long/Term Loans, mortgage, debentures
3. Equity/Shareholders' Fund – invested amount/value of business
 - a. Equity – Capital (Sole Trader/Partnership) or Shareholders' funds (Private & Public Limited companies)
 - b. Retained profits

How to balance the balance sheet?

1. Total Assets = Total Liabilities + Equity/Shareholders' Funds
2. Equity/Shareholders' Funds = Total Assets – Total Liabilities
3. Total Liabilities = Total Assets - Equity/Shareholders' Funds

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