

EXHIBIT VI
Company Name
BALANCE SHEET
As of (current date)

ASSETS

Current Assets

Cash \$ _____
Accounts receivable \$ _____
 less allowance for
 doubtful accounts \$ _____
 Net realization value \$ _____
Inventory \$ _____
Temporary Investments \$ _____
Prepaid Expenses \$ _____
 Total Current Assets \$ _____

Long-term Investments

(detailed list) \$ _____
 Total Investments \$ _____

Fixed Assets

Land \$ _____
Buildings \$ _____
 less accumulated
 depreciation \$ _____
 Net book value \$ _____
Equipment \$ _____
 less accumulated
 depreciation \$ _____
 Net book value \$ _____
Furniture/Fixtures \$ _____
 less accumulated
 depreciation \$ _____
 Net book value \$ _____
Autos/Trucks \$ _____
 less accumulated
 depreciation \$ _____
 Net book value \$ _____
 Total Net Fixed Assets \$ _____

Other Assets

(detailed list) \$ _____
 Total Other Assets \$ _____

TOTAL ASSETS \$ _____

LIABILITIES

Current Liabilities

Accounts payable \$ _____
Short-term notes \$ _____
Current portion
of long-term notes \$ _____
Interest payable \$ _____
Taxes payable \$ _____
Accrued payroll \$ _____
 Total Current Liabilities \$ _____

Long-Term Liabilities

Notes payable \$ _____
 Total Long-Term Liabilities \$ _____

TOTAL LIABILITIES \$ _____

EQUITY

Total Owner's Equity
(proprietorship) \$ _____
or
(Name)'s Equity \$ _____
(Name)'s Equity \$ _____
(partnership)
 Total Partners' Equity \$ _____
or
Shareholder's Equity
(corporation)
Capital stock \$ _____
Capital paid-in in excess of par \$ _____
Retained earnings \$ _____
 Total Shareholders' Equity \$ _____

**TOTAL LIABILITIES
AND EQUITY** \$ _____

RECONCILEMENT OF EQUITY

As of (current date)
Equity at beginning of period \$ _____
Plus: Net Income (or Minus: Net
Loss) after taxes \$ _____
Plus: Additional capital
contributions (investments by
owner(s) or stock
purchases by shareholders) \$ _____
Less: Total deductions
(withdrawals by owner(s) or
dividends to shareholders) \$ _____
Equity as shown on current
Balance Sheet \$ _____

Balance Sheet

A Balance Sheet records the total assets, liabilities, and equity (net worth) of a business as of a specific day. This statement is divided to provide two views of the same business: what resources the business owns, and the creditor and owner investments that supplied these resources. These divisions are generally set up in the two-column account form with assets on the left, liabilities and equity on the right. An alternative—the one-column statement form, or report from—lists assets on top, liabilities and equity below.

The backbone of the Balance Sheet is the fundamental accounting equation: $\text{Assets} = \text{Liabilities} + \text{Equity}$ (transposed: $\text{Assets} - \text{Liabilities} = \text{Equity}$). This equation is based on the accounting principle that every business transaction, such as selling merchandise or borrowing capital, has a dual effect. Any increase or decrease on one side of the equation always equal a corresponding change on the other side of the equation. If the sides don't balance, faulty arithmetic or inaccurate or incomplete records may be the cause.

To illustrate the principle of balance: If a business owner purchases \$1,000 worth of new merchandise on credit, assets are increased by the value of new inventory; simultaneously, liabilities are increased \$1,000 by the business's incurring an account payable.

To further illustrate the principle: If the same business had \$1,000 cash and used it to buy new merchandise, assets would be increased by the inventory value but decreased by the cash outlay. Thus, total assets would be unchanged, and liabilities and equity would also remain the same.

The following text covers the essential elements of a Balance Sheet and is keyed by number to the sample.

1. Heading The legal name of the business, the type of statement, and the day, month, and year must be shown at the top of the report.

2. Assets Anything of value that is owned or legally due the business is included under this heading. Total assets include all net realizable and net book (also called net carrying) values. Appreciated values are not considered on Balance Sheets (see page 10 for further

discussion of appreciation). Net realizable and net book values are amounts derived by subtracting from the acquisition price of assets any estimated allowances for doubtful accounts, depreciation, and reductions of future service—such as amortization of a premium during the term of an insurance policy.

3. Current Assets Cash and resources that can be converted into cash within 12 months of the date of the Balance Sheet (or during one established cycle of operations) are considered current. Besides cash (money on hand and demand deposits in the bank, such as checking accounts and regular savings accounts), these resources include the items listed below. They are ranked in a generally accepted order of decreasing liquidity—that is, the ease with which the items could be converted to cash.

- ❑ **Accounts Receivable:** The amounts due from customers in payment for merchandise or services.
- ❑ **Inventory:** Includes raw materials on hand, work in process, and all finished goods either manufactured or purchased for resale. Inventory value is based on unit cost and is calculated by any of several methods.
- ❑ **Temporary Investments:** Interest- or dividend-yielding holdings expected to be converted into cash within a year. Also called marketable securities or short-term investments, they include stocks and bonds, certificates of deposit, and time deposit savings accounts. According to accounting principles, they must be listed on the Balance Sheet at either their original cost or their market value, whichever is less.
- ❑ **Prepaid Expenses:** Goods, benefits, or services a business buys or rents in advance of use. Examples are office supplies, insurance protection, and floor space.

4. Long-Term Investments Also called long-term assets, these resources are holdings that the business intends to keep for a year or longer and that typically yield interest or dividends. Included are stocks, bonds, and savings accounts earmarked for special purposes.

5. Fixed Assets Fixed assets, frequently called plant and equipment, are the resources a business owns or acquires for use in operations and does not intend for resale. Examples of such properties are listed on the sample statement.

regardless of current market value, land is listed at its original purchase price, with no allowance for appreciation or depreciation. Other fixed assets are listed at cost, less depreciation. Fixed assets may be leased rather than owned. Depending on the leasing arrangement, both the value and the liability of the leased property may need to be listed on the Balance Sheet.

6. Other Assets Resources not listed with any of the above assets are grouped here. Examples include tangibles, such as outdated equipment salable to the scrap yard, and intangibles such as trademarks.

7. Liabilities This term covers all monetary obligations of a business and all claims creditors have on its assets.

8. Current Liabilities All debts and obligations payable within 12 months or within one cycle of operations are detailed here. Typically, they include the following which generally are listed in the order due.

- ❑ Accounts Payable: The amounts owed to suppliers for goods and services purchased in connection with business operations.
- ❑ Short-Term Notes: The balance of principal due to pay off short-term debt for borrowed funds.
- ❑ Current Portion of Long-Term Notes: Current amount due of total balance on notes whose term exceed 12 months.
- ❑ Interest Payable: Any accrued fees due for use of both short- and long-term borrowed capital and credit extended to the business.
- ❑ Taxes Payable: Amounts estimated by an accountant to have been incurred during the accounting period. (Note: Income taxes are business obligations for corporations; proprietorships and partnerships bear personal, but not business, income taxes.
- ❑ Accrued Payroll: Salaries and wages currently owed.

9. Long-Term Liabilities Long-term liabilities are notes, contract payments, or mortgage payments due over a period exceeding 12 months or one cycle of operations. they are listed by outstanding balance (less the Current Portion due, shown above).

10. Equity Also called net worth, equity is the claim of the owner(s) on the assets of the

business. In a proprietorship or partnership, equity is each owner's original investment plus any earnings after withdrawals.

In a corporation, the owners are the shareholders—those who have invested capital (cash or other assets) in exchange for shares of stock. the corporation's equity is the sum of contributions plus earnings retained after paying dividends; it is detailed as follows:

- ❑ Capital Stock: The total amount invested in the business in exchange for shares of stock at values up to the par value. Par is the per-share price assigned to the original issue of stock, regardless of subsequent selling prices.
- ❑ Capital Paid-in in Excess of Par: The amount in excess of par value that a business receives from shares of stock sold at a value above par.
- ❑ Retained Earnings: the total accumulated net income minus the total accumulated dividends declared since the corporation's founding. these earnings are part of the total equity for any business. However, the figure is typically listed separately from owner investments only on corporate Balance Sheets: that is done for the benefit of shareholders.

11. Total Liabilities and Equity the sum of these two amounts must always match that for Total Assets.

12. Reconciliation of Equity Used for proprietorships and partnerships, this report reconciles the Equity shown on the current Balance Sheet. It records Equity at the beginning of the accounting period and details additions to or subtractions from this amount made during the period. Additions and subtractions typically are net income or loss and owner contributions and/or deductions.

For corporations, the same type of report is called the Statement of Retained Earnings, and similarly it lists increases or decreases in this accumulated net income since the beginning of the current period.

Figures used to compile this report are derived from the previous and current Balance Sheets and from the current Income Statement. The report is usually attached to the Balance Sheet.