

Grade 9- BUSINESS STUDIES

CHAPTER: 24. BALANCE SHEETS

Balance Sheet – a document that shows the value of the business' assets and liabilities in a point in time

A balance sheet include the following

- Assets – Items of value owned by a business
- Liabilities – Debts owed by business

There are 2 types of assets:

- * Current Assets – (Short-term Assets) Items owned by business for less than 1 year

i.e. Raw material, cash

- * Non-Current Assets – (Long-term Assets) Items owned by business for more than 1 year

i.e. Buildings, land, company cars

There are also 2 types of liabilities:

- * Current Liabilities – (Short Term Liabilities) Debts owed by business for less than 1 year

i.e. Bank overdrafts, wages

- * Non-Current Liabilities – (Long Term Liabilities) Debts owed by business for more than 1 year

i.e. Long-term bank loans, creditors (money that business owes to suppliers)

- the Total Equity (Shareholders' funds) is how much a business is worth. (only for Limited companies)

Shareholders' Funds = Total Assets – Total Liabilities

- The shareholders' funds is the total amount of money invested in a business by the shareholders/owners

- If the total equity of a business has increased/fallen, the shareholder's stake of the company will be worth more/less, respectively

From a balance sheet, you can calculate

*Working Capital = Current Assets - Current Liabilities

- * Capital Employed – (the long- term capital invested in a business)

Capital Employed = Non-Current Assets + Total Equity

*Total Equity = Shareholders' funds