

STEP BY STEP WITH MONEY

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This is week 18 of our series on ‘**Saving Money**’ We focus on financial statements, namely the Balance Sheet (‘BS’), Profit and Loss and Cash Flow Statement.

We start with the BS. From an accounting view, a BS provides a snapshot of a company at a point in time. We can see who the company owes money to and who owes money to the company.

Stakeholders interested in a company’s BS include, investors (current and potential), management, suppliers, customers, competitors, government bodies (such as tax office) and unions.

Our BS tells us at a point in time who owes us money and to whom we owe money. Our bank uses this information to determine whether we qualify for a loan, credit card, etc.

Our BS consists of three items, Assets, Liabilities and Owners’ Equity. Assets are anything that brings us income. Liabilities are anything that does not bring us income and Owners’ Equity is what is left over. The following is an example of a BS based on our income over the past 18 weeks.

MONEY STUDENT LIMITED – BALANCE SHEET AS AT 23 MAY 2017	
Assets – Current	Value
Cash (coffee savings - \$10 per day x 7 days x 18 weeks)	\$1,260.00
Savings (10% monthly based on \$4,000 monthly income)	\$1,800.00
YGY Business account (\$20 monthly plus Commissions)	\$2,240.00
Total Current Assets	\$5,300.00
Assets – Long term	
Residential investment NOT family home	\$400,000.00
Shares/Bonds/Commodities	\$6,000.00
YGY Business – based on \$1,000 monthly income	\$12,000.00
Total Long Term Assets	\$418,000.00
TOTAL ASSETS	\$423,300.00
Liabilities – Current	
Family Home – interest and rates	\$16,500.00
Credit card	\$10,000.00
Income Tax	\$2,000.00
Total Current Liabilities	\$28,500.00
Liabilities – Long term	
Family Home mortgage	\$130,000.00
Residential investment - mortgage	\$300,000.00
Person Loan	\$20,000.00
Total Long Term Liabilities	\$450,000.00
TOTAL LIABILITIES	\$478,500.00
OWNERS’ EQUITY (Total Assets less Total Liabilities)	(\$55,200.00)

Our liabilities exceed our assets by \$55,200.00. If we had to sell everything we had right now and pay all our debts we would still owe \$55,200.00. Next week we will look at the profit and loss statement.