

Valerie Albury

Balance sheet

February 8, 2021.

**ASSETS**

**Current assets:**

Cash/ Checking account      \$4,000

Savings account                \$ 500

Stocks                             \$ 2,350

**Total Current Assets            \$ 6,850**

**Long Term Assets:**

House                              \$ 115

Car                                 \$ 900

401k                                \$ 85

Bonds                               \$30

**Total Long Term Assets        \$ 1,130**

**Total Assets                      \$ 7,980**

**LIABILITIES**

**Current Liabilities:**

Student loan(due in 12 months)    \$ 240

Car loan(due in 12 months)        \$ 900

Credit card                         \$ 948

**Total Current Liabilities        \$2,088**

**Long Term Liabilities:**

Student loan                         \$ 240

Car loan                               \$ 900

**Total Long Term Liabilities    \$ 1,140**

**Owner's equity                      \$4752**

**Total Liabilities and**

**Owner's equity                      \$7,980**

A balance sheet shows the financial position of a person at a given point in time. It shows the assets; both long term and current assets, on one side and liabilities (debts), both long term and short term liabilities on the other side and also the owners' equity. From the balance sheet given above, there is proof that the net worth of this person has a positive net worth since the number of assets that they own is greater than the total debt. Therefore, a person might use a balance sheet when they want to make personal financial decisions, especially when they want to better their financial growth, Mann, L. (1972).

The income statement shows how much a person spends from their earnings on a given duration of time. The statement may capture cash flow either weekly, monthly, yearly etc.. Making such a statement may help one decide on which expenses they need to cut costs on and which they do not need at all. From the income statement given, personal income and expenses are captured and it is clear that this person does spend more sometimes than they earn thus showing that this person has to make important financial decisions on how to cater for the excess expenses made. This can be achieved by saving. Financial discipline is not taught in schools at all and one must take the initiative of learning on their own. Thus, the balance sheet and the income statement are important tools towards acquiring financial freedom since you will reflect on the wrong financial decisions that you previously made and work on them Chen, H.(1998).

These financial statements also play a role in the reduction of poverty. Once a person prepares these statements and figures out where they are at financially, they may decide to come up with better ideas to generate more income, they may also plan their finances in order to reduce debts. Therefore, knowledge on these financial statements is important both in class work and also in one's life applications. People should therefore take the initiative of tracking their finances since these financial statements are easy to prepare and easy to understand too.

## References:

Chen, H., & Volpe, R. P. (1998). An analysis of personal financial literacy among college students. *Financial services review*, 7(2), 107-128.

Mann, L. (1972). Use of a "balance-sheet" procedure to improve the quality of personal decision making: A field experiment with college applicants. *Journal of Vocational Behavior*, 2(3), 291-300.

Porter, G., & Norton, C. (2018). Using financial accounting information: The alternative to debits and credits (10th ed.). Retrieved from <https://www.cengage.com>