

# BALANCE SHEET



## What is a Balance Sheet

- A balance sheet shows you what a company OWNS and OWES
- It's like a company's "Net Worth" statement

## Balance Sheet = Snapshot

- Balance Sheet is a SNAPSHOT at a certain POINT IN TIME

$$\text{Assets} = \text{Liabilities} + \text{Shareholders Equity}$$

### ASSETS

- Shows everything the company OWNS.

#### Two categories of Assets:

- Current Assets and Long-Term Assets.

#### Current Assets:

- Assets expected to be used in 1 year.

#### Long-Term Assets:

- Assets expected to last longer than 1 year.

#### Most Liquid

- Cash & cash equivalents
- Marketable securities
- Financial assets
- Accounts receivable
- Inventory
- Plant, property & equipment
- Intangible assets
- Goodwill



#### Least Liquid

### LIABILITIES

- Shows everything the company OWNS.

#### Two categories of liabilities:

- Current liabilities and Long-Term Liabilities.

#### Current Liabilities:

- An obligation due in less than 1 year.

#### Long-Term Liabilities:

- An obligation due in more than 1 year.

### SHAREHOLDER'S EQUITY

- A company's net worth.
- The dollar amount that would be returned to the owners if the company was liquidated.
- Shareholder's Equity = Assets - Liabilities

## HOW TO ANALYZE A BALANCE SHEET

### Questions

- 1: How much **CASH** does the company have?
- 2: Are there any **ACCOUNTS RECEIVABLE**?
- 3: Is there any **GOODWILL**? How much?
- 4: What are the biggest liabilities?
- 5: Does the company have any **DEBT**?  
What kind?
- 6: Is there any **PREFERRED STOCK**?
- 7: Are **RETAINED EARNINGS** positive?
- 8: Is there any **TREASURY STOCK**?

### Yellow Flags

- 1: **CASH & CASH EQUIVALENTS:** Less Than Total Debt
- 2: **ACCOUNTS RECEIVABLE:** Rising Faster Than Revenue
- 3: **INVENTORY:** Rising Faster Than Profits
- 4: **GOODWILL:** More Than 50% of Total Assets
- 5: **INTANGIBLE ASSETS:** More Than 50% of Total Assets
- 6: **SHORT & LONG-TERM DEBT** → More Than Cash
- 7: **PREFERRED STOCK** → There Shouldn't Be Any
- 8: **RETAINED EARNINGS** → A Negative Number

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