

Balance Sheet In-Class Exercise (Key)

Determine where the following items would belong on a balance sheet for a greenhouse/floral shop. Use the following classifications:

CA = Current Asset

CL = Current Liability

NA = Not Applicable

NCA = Non-Current Asset

NCL = Non-Current Liability

- CA \$800 of cut flowers that are ready to be sold
- CL \$20,000 of operating loan that is still owed to the bank
- NCL \$200,000 of mortgage (loan) that is due after the next year
- CL \$5,000 of wages that are owed to the workers
- CA \$3,000 of cash in the cash register
- NCA \$265,000 worth of greenhouse, land, and other buildings
- CA \$25,000 of seed and fertilizer to be used to grow plants
- NCL \$45,000 of equipment loans that will not be repaid within the next 12 months
- NCA \$75,000 of equipment (fork lift, carts, delivery truck, etc.)
- CA \$35,000 of money owed to the business from "credit sales" (Accounts Receivable)
- NA \$125,000 of operating expenses paid over the year (utilities, labor, fertilizer, etc.)
- *These expenses do NOT all occur on the day of the balance sheet. You would only include the amount of fertilizer, seed, etc. that is on hand that day.*
- CL \$4,500 of accrued interest (interest owed but not yet paid) on loans
- CA \$15,000 in the business checking account
- NA \$300,000 of revenues from sales throughout the entire year
- *These revenues do NOT all occur on the day of the balance sheet. You would only include the amount of cash that is on hand that day.*

Use the above assets and liabilities to create a balance sheet for this flower store.
See the Balance Sheet Exercise - Key worksheet in the Lesson 3 Excel file

A convenience store has total assets of \$750,000. As of today, the owner still owes \$200,000 of liabilities (loans, accounts payable, etc.) to her lenders. Calculate this owner's Net Worth in her business on this day.

$$\begin{aligned}\text{Net Worth} &= \text{Total Assets} - \text{Total Liabilities} \\ &= \$750,000 - \$200,000 = \$550,000\end{aligned}$$

Two years later this convenience store has total assets of \$800,000 and total liabilities of \$100,000. Has the owner's Net Worth increased (improved) or decreased (declined) over the past two years?

Increased

Decreased

Net Worth = \$800,000 - \$100,000 = \$700,000. This is larger than the \$550,000 Net Worth from 2 years ago