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BALANCE SHEET BASICS

for Micro Companies

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Balance Sheet

Net Assets

Everything the company owns (Assets)

–

Everything the company owes (Liabilities)

Capital & Reserve

The owner's share in the company

- including initial share capital
- retained profits

Must Be Equal

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Company A

Assets	Liabilities
£2,000 cash	£1,200 VAT
+ £500 stock	+ £500 bank loan
£1,000 trade debtors	
£3,500	£1,700

Net Assets = Assets - Liabilities

3,500-1,700=1,800

Total Net Assets = £1,800

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Common Assets & Liabilities for Micro-Companies

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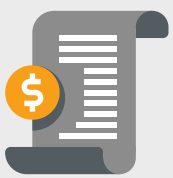
Assets

Cash Held

Money in your company's bank accounts, recorded as current assets

Stock

Products for sale, listed as current assets until sold



Trade Debtors

Money owed by customers for unpaid invoices

Fixed Assets

Long-term assets like equipment or property, separate from current assets

Liabilities

Trade Creditors

Money owed to suppliers

Loans/Overdrafts

Outstanding debts, including director's or bank loans

Corporation Tax Due

Taxes owed to HMRC

Other Tax Liabilities

VAT or National Insurance owed to HMRC

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Capital & Reserves

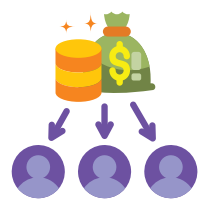
Share Capital

Money invested into the company at the time of incorporation

For micro companies - often involves issuing one or two shares with a nominal value (e.g. £1 each)

Retained Earnings

Profits made by the company in previous years that have not been distributed as dividends



Any dividends paid out are deducted from the profit before being added to retained earnings

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Net Assets

Capital & Reserve

£1,800

£1,800

Assets = £3,500

− Liabilities = £1,700

Net Asset = £1,800

Share Capital = £2

+ Retained Earnings = £1,798

Capital & Reserves = £1,800

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