

- S -

76.- SET UP - establecer

77.- SET - juego, serie

- T -

78.- TYPE - tipo

79.- THUS - así, de este modo

80.- THOUSANDS - millares

- U -

81.- UNDER - bajo, debajo

BALANCE SHEET

Use of the balance sheet

By studying the balance sheet, the proprietor can obtain information that is useful to him in the management of his business. He can observe whether he has sufficient cash on hand or will collect enough from the accounts receivable to enable him to pay his liabilities when they are due.

The balance sheet may then be defined as a statement showing the assets, liabilities, and capital of a business at a specific date. This statement is also called a statement of financial position or statement of financial condition.

Example "C"

JOHN KELLY

Balance Sheet

January 31, 197__.

ASSETS

Cash	\$ 4,700
Supplies	100
Equipment	<u>2,500</u>
Total Assets	\$ 7,300

LIABILITIES AND CAPITAL

Liabilities

Accounts Payable	\$ 1,500
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Capital

Balance January 1, 197	\$ 5,000
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Net Income of January	\$ 1,100
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Less Withdrawals	300
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Increase in Capital	800
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Total Capital	\$ 5,800
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Total liabilities and Capital	\$ 7,300
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The close relationship of the income statement and the balance sheet is apparent. The net income of \$ 1,100 for January, shown as the final figure on the income statement of Example "B", is also shown as a separate figure on the balance sheet of Example "C". The income statement is thus the connecting link between two balance sheets. As discussed earlier, the income and expense items are actually a further analysis of the capital account.

The balance sheet of Example "C" is arranged in report form, with the liabilities and capital section shown below the asset section. It may be also arranged in account form, with the liabilities and capital sections to the right of, rather than below the asset section.

VOCABULARY III

- A -

- 1.- ACCOUNT FORM - forma de cuenta
- 2.- APPARENT - claro, patente, manifiesto

- C -

- 3.- CLASSIFY - clasificar
- 4.- CONNECTING - conectar, enlazar
- 5.- COSTLY - costoso, caro

- D -

- 6.- DECREASES - disminuciones

- G -

- 7.- GREAT MANY - gran número

- L -

- 8.- LINK - cadena, enlace
- 9.- LOST - perdió, perdido

- O -

10.- OBTAINED - obtenido

- P -

11.- REPORT FORM - forma de reporte

- T -

12.- TIME CONSUMING - tiempo gastado

- W -

13.- WAY - modo, forma, camino

14.- WITHDRAWAL - retiro

THE BALANCE SHEET

3^{er} sem. 001

The balance sheet becomes a more ^{util} useful statement - for comparison and financial analysis where the - - assets and liability groups are classified. For - example, an important index of the financial state of business, derivable from the classified balance sheet, is the ratio of current assets to current - - liabilities. This current ratio ought generally to be at least 2 to 1; that is, current assets should be twice current liabilities. For our purpose we will designate the following classifications.

Current assets. Assets reasonably ^{razonablemente} expected to be - converted into cash or used in the current operation of the business. ^{operativo} The current period is generally - taken as one year. Examples are cash, inventory, - notes receivable, accounts receivable, and prepaid expenses (prepaid insurance, prepaid rent, etc.)

Property plant, and equipment. ^{Longa vida Activos} Long-lived assets - used in the production of goods or services. These assets, sometimes called fixed assets or plant asse - ts, are used into the operation of the bussines ra - ther than being held for sale, as are inventory - - items.

^{15/5/77} Other assets. ^{adivinos de} Various assets other than current -

assets, fixed assets, or assets to which specific captions are given.

Current liabilities

Debts (which must be satisfied) from current assets - within the next operating period, usually one year. Examples are accounts payable, notes payable.

Long-term liabilities. Liabilities which are payable beyond the next year. Examples are bonds payable and mortgages payable.

VOCABULARY IV

- A -

1. AT LEAST - por lo menos

- B -

2. BEYOND - más allá, más adelante

- C -

3. COMPARISION - comparación, confrontación

4. CAPTIONS - títulos, membretes

- D -

5. DESIGNATE - apuntar, señalar

6. DERIVABLE - derivable, deducible

- F -

7. FINANCIAL STATE - estado financiero

- I -

8.- INDEX - indicio, señal, índice

- O -

9.- OUGHT - deber

- P -

10.- PURPOSE - propósito o fin

11.- PLANT ASSETS - activos de fábrica

12.- PROPERTY PLANT - propiedades del negocio

- S -

13.- SOMETIMES - algunas veces

- T -

14.- TAKEN - tomado

15.- TWICE - dos veces, al doble, duplicadamente

- U -

16.- USEFUL - útil

- W -

17.- WITHIN - dentro, adentro, dentro de

CHAPTER III

CLASSIFYING TRANSACTIONS

After each transaction would be cumbersome and costly to prepare a new equation. An efficient way is to classify the transactions according to items on the balance sheet and income statement. The increases and decreases are then recorded according to type of item by means of a summary called an account.

The "t" Account

This account is known as the "t" account because it resembles the letter "t". This account has three parts (1) the name of the account and the account number (2) The debit side (left side), and (3) the credit side (right side). The abbreviations for debit and credit are Dr. and Cr., respectively.

The Double - Entry System

When an amount is entered on the left side of an account, it is a debit and the account is said to be debited. When an amount is entered on the right side, it is a credit and the account is said to be credited.