

What is a Balance Sheet?

And Why Do I Need One?

Balance Sheet: A financial statement listing the assets, liabilities and equity of a business entity as of a specific date.

Yeah? So?

When you know how to read a Balance Sheet, you will get a pretty good idea of the general health of your company. In black and white you will see the “balance” of the company’s assets and liabilities. In other words “Can I pay what I owe?”

Reason number two to look at the Balance Sheet. A majority of business owners look at the P&L, Profit and Loss or Income Statement, on a fairly regular basis. That’s great except it may not be accurate. Often times the individual in charge of “doing the books” does not know anything about accounting and will enter a transaction as an expense when it actually belongs on the balance sheet.

If this doesn’t make sense to you, here are some options: hire a qualified bookkeeper, talk with your CPA or take an accounting class or do all three.