***SS1 LESSON***

***SUBJECT: ACCOUNTING/BOOKKEEPING***

***TOPIC: FINAL ACCOUNTS OF A SOLE TRADER***

***SUBTOPIC: BALANCE SHEET.***

***INTRODUCTION:***

Balance sheet can be defined as the statement that shows the presentation of the summary of assets and liabilities in a well arranged form, so that the financial position may be clearly ascertained.

Balance sheet is not an account; it is a statement showing the balance remaining in the books. The balance sheet must be headed as "The balance sheet as at 31st.......

The assets are set out in order of permanence or liquidity.

***TERMINOLOGIES:***

To comprehend the rules of balance sheet, the various terms must be adequately analyzed.

***FIXED ASSETS:*** These are assets which are of permanent nature and it creates revenue for the business. They are assets that can last for a long period of time, e.g land and building, plant and machinery, furniture and fittings, premises etc.

***CURRENT ASSETS:*** These are assets that can last for a short period of time e.g stock of goods, cash in hand, cash at bank, prepaid expenses and marketable securities.

***INTANGIBLE ASSETS:*** These are assets that cannot be seen and touched, although they have value, e.g Goodwill, patent, copyright, etc.

***LIABILITIES:*** These can be defined as the indebtedness of the business to outsiders. It is the claim on the assets of the company.

***LONG TERM LIABILITIES:*** These are obligations expected to be paid after one year. They are liabilities payable in future, e.g %Debentures.

***CURRENT LIABILITIES:*** These are liabilities which are payable within a short period of time, usually, a year, e.g creditors, loan, overdraft and expenses accrued, etc.

***CAPITAL:*** This is the owner's interest in the assets of the business. It can be referred to as owner's equity proprietorship.

In the preparation of balance sheet, accounting equation is employed, which is, CAPITAL=ASSETS- LIABILITIES.

I will give you the audio on the format and preparation of the balance sheet.

***ASSIGNMENT:***

Explain the following:

1. Fictitious assets

2. Wasting assets

3. Working capital

4. Capital employed

5. Capital owned.

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