BREAKDOWN OF THE BALANCE SHEET

(*NOT* THE IB PRESCRIBED FORMAT)

Balance sheet for Nicole San Restaurants Ltd. as at 30 September 20XX

	$'000	**$'000**	
Fixed assets			Fixed assets are items owned by the business that are not intended for resale within the next 12 months but are used to generate output and sales, e.g. the physical restaurants (premises), equipment, tables, chairs, drinks machines, fridges, cash registers, and air conditioning.
Premises	1 500		
Machinery and equipment	500		
		2 000	
Current assets			Current assets are items owned by the business that are in the form of cash or what it intends to change into cash within one year of the balance sheet date, e.g. stock (food and drinks) and debtors (customers who have paid by cheque or credit card).
Cash	250		
Debtors	30		
Stocks	200		
	480		
Current liabilities			Current liabilities are debts that the business must pay to its creditors within 12 months of the balance sheet date, e.g. money owed to trade creditors (suppliers of food and drinks), to the bank for overdrafts (short-term borrowing), corporate tax owed to the government, and dividends owed to the company's shareholders.
Short-term loans	15		
Trade creditors	250		
Taxation	35		
Dividends	20		
	320		
Net current assets (working capital)		160	Net current assets, also known as *working capital*, is calculated as the difference between a firm's current assets and its current liabilities.
Total assets less current liabilities		2 160	This is the sum of fixed and current assets minus the value of current liabilities.
Long-term liabilities			Long-term liabilities (or loan capital) are the debts owed by a firm, repayable after 12 months from the balance sheet date. Examples include mortgages and debentures (see Unit 3.1) to buy the premises and the outstanding bank loans (which may have been used to purchase the machinery and equipment).
Mortgage	500		
Debentures	500		
Bank loans	100		
		1 100	
Net assets		**1 060**	This figure is the sum of total assets less total liabilities. It must match (or balanced with) the figure for the firm's equity.
Financed by:			This section shows the capital and reserves of the business, i.e. the money that belongs to its owners. Here, 1 million shares were issued at $1 each, raising $1 m for the restaurant (note that this is not the current market price of the shares). Retained profit (or reserves) refers to the surplus appropriated to the company from the previous year.
Ordinary share capital (1 m shares at $1 per share)	1 000		
Retained profit	60		
Equity		**1 060**	Equity (or *shareholders' funds* refers to the sum of money that belongs to the owners of the restaurant, i.e. the owners' equity. It is equal to share capital plus reserves (retained profits).