Understanding Financial Records

Animal Science- Small Animal

Unit A

What kinds of records should businesses keep?

- Assets
- Liabilities
- Net worth
- Profit and loss statement
- Cash receipts
- Non-cash receipts
- Invoice

Assets

- Things that one owns and completely pays for.
  - Example: Your car after all payments have been made.

Current Assets

- Items quickly converted to cash or that will be sold within 12 months
  - cash
  - checking
  - savings
  - stocks or bonds
  - Money others owe you
  - Current non-depreciable inventory

Non-current Assets

- Items that have a useful life or more than one year
  - land
  - Non-current, non-depreciable inventory

Liabilities

- Things that you owe money to other people for or debts
  - Example: My Visa

Liabilities

- Current-due to be paid this year
  - fertilizer and feed bills
  - tractor and building payments
  - part of the mortgage due this year
- Non-Current-not due this year
  - mortgages

Net Worth

- One's assets minus their liabilities.
  - You have $3000 in the bank, but you owe $1750 for your bills. Your net worth is $1250.00

Assets-Liabilities= Net Worth

Net Worth

- Current Assets + Non-Current Assets=Total Assets
- Current Liabilities + Non-Current Liabilities=Total Liabilities

Debt-to-Equity Ratio

- Used by banks and lending institutions to decide whether or not to lend money to specific people or businesses

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Liability}}{\text{Net Worth}}$$