

Executive Summary - Balance Sheet

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In financial accounting, a balance sheet or statement of financial position is a summary of a person's or organization's balances. Assets, liabilities and ownership equity are listed as of a specific date, such as the end of its financial year. A balance sheet is often described as a snapshot of a company's financial condition. The balance sheet is the only statement which applies to a single point in time.

A company balance sheet has three parts: assets, liabilities and ownership equity. The main categories of assets (fixed and current) are usually listed first and are followed by the liabilities (current and long term). The difference between the assets and the liabilities is known as equity or the net assets or the net worth of the company; according to the accounting equation, net worth must equal assets minus liabilities.

Another way to look at the same equation is that assets equals liabilities plus net worth. This is how a balance sheet is presented, with assets in one section and liabilities and net worth in the other section. The sum of these two sections must be equal; they must "balance."

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