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Page Title: Balance Sheets: What Are They and Why Do They Matter For Business Owners? | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] emphasizes the importance of balance sheets for business owners, covering their pivotal role in financial management.

Headline: Balance Sheets: What Are They and Why Do They Matter For Business Owners?

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Business owners need to become familiar with a wide range of documents to keep their finances in order and protect their bottom line. One of the most important documents a business owner will need to use on a regular basis is that of a balance sheet.

With a better understanding of what a balance sheet is, what it entails and how to create one, business owners can get a better handle on their finances and make informed decisions.

What Is a Balance Sheet?

Specifically, a balance sheet is a document that is meant to give business owners, accountants and even investors/creditors a better idea about a company's financial health at any given time. Most businesses produce a balance sheet on a quarterly basis as a means of keeping tabs on their progress and growth throughout the year, whereas others may create balance sheets monthly for even more accurate reporting.

More specifically, a balance sheet provides a depiction of a company's assets, net worth and liabilities at any point in time.

The Importance of Balance Sheets in Business

Maintaining balance sheets is an important part of running a successful business, regardless of the size or scope of the company itself. This is because balance sheets are one of the most reliable ways to gain real-time insights into the financial health of a business. This can be useful to business owners who are looking to make informed decisions, as well as accountants and even financial advisors who need to provide sound advice to business owners.

Likewise, many investors and creditors will ask for a copy of a company's latest balance sheet (or the past year's worth of balance sheets) to get a better feel for the company's overall finances. The information found on a balance sheet could be the difference between the business receiving funding or not. Meanwhile, if a business doesn't have a history of maintaining balance sheets, this could demonstrate a lack of professionalism that could turn away a potential investor.

Components of a Balance Sheet

There are three main components that should generally be found on any balance sheet, including:

- **Assets** - This refers to any part of the business that generates or represents income, such as cash-on-hand, short-term investments, accounts receivable and inventory.
- **Liabilities** - This refers to anything a business owes to another person, bank or company. Examples may include short-term loans that need to be paid off, money due to vendors for goods/services and the like.

- **Equity** - This refers to any claims a business owner may have to assets after liabilities have been paid, such as property contributed to the business.

How to Create a Balance Sheet

All business owners should be able to create a balance sheet. The first step is to determine the reporting date and period for the balance sheet itself; generally, the reporting date of a balance sheet is the final day of the quarter or accounting period for the business.

The next step is to identify assets, including current and non-current assets, for proper reporting. These should be listed separately on the sheet but totaled together at the bottom. The same goes for the section on liabilities, with current and non-current liabilities listed and totaled as needed.

Next, shareholder or owner equity should be totaled and added to the report, including any share capital and reserves or retained earnings that may apply.

When to Get Help with Balance Sheets

While balance sheets are a very basic part of financial reporting for a business, they can take some getting used to for new business owners. This is why many business owners hire accountants or other financial experts to assist with this part of running the business. An experienced professional will be able to create and maintain balance sheets that are in-line with [International Financial Reporting Standards \(IFRS\)](#) and that follow [Generally Accepted Accounting Principles \(GAAP\)](#).

Likewise, follow-up with an accountant or financial professional may be needed if a balance sheet *doesn't* balance. If this is the case, there may be incomplete data, errors in inventory or bad calculations causing the issue. Either way, the problem will need to be addressed.

The Bottom Line on Business Balance Sheets

Overall, balance sheets are one of the most critical types of financial reports that a business can put out. Most businesses should aim to create balance sheets at least once a quarter (and this is required for companies that are publicly traded)—but in some cases, more frequent reporting may be recommended.

Regardless, knowing how to create a balance sheet is an important part of running a business. Business owners who need further assistance can benefit from working with an experienced accountant or financial advisor to walk them through the process and gain confidence with this important task.

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