
Balance Sheet Quick-Reference Card

Print this. Pin it next to your desk. Pull your balance sheet quarterly.

The Fundamental Equation

Assets = Liabilities + Owner's Equity

Everything your business owns was paid for by either debt (liabilities) or you (equity). The two sides always balance.

What Each Section Means

Assets (What You Own)

Type	Examples	Timeframe
Current Assets	Cash, accounts receivable, inventory, prepaid expenses	Converts to cash within 12 months
Non-Current Assets	Equipment, vehicles, property, furniture (net of depreciation)	Held longer than 12 months

Liabilities (What You Owe)

Type	Examples	Timeframe
Current Liabilities	Accounts payable, credit cards, loan payments due this year, accrued wages, sales tax	Due within 12 months
Non-Current Liabilities	Long-term loans, equipment financing, mortgages	Due after 12 months



Owner's Equity (What's Left for You)

Component	What It Means
Owner's Investment	Cash you put into the business
Retained Earnings	Accumulated profits not taken out
Owner's Draws	Money you've pulled out (reduces equity)

5 Key Ratios

1. Current Ratio — Can You Pay Your Bills?

Current Assets ÷ Current Liabilities

Result	What It Means
Below 1.0	 Can't cover short-term bills — urgent
1.0 – 1.5	 Getting by, but no cushion
1.5 – 3.0	 Healthy — aim here
Above 3.0	 Cash might be sitting idle

2. Quick Ratio — Can You Pay Bills Without Selling Inventory?

(Current Assets – Inventory) ÷ Current Liabilities

- Aim for **1.0 or higher**
- More conservative than current ratio — excludes inventory that may not sell quickly

3. Debt-to-Equity — How Leveraged Are You?

Total Liabilities ÷ Owner's Equity

Result	What It Means
Below 1.0	Conservative — mostly equity-funded
1.0 – 2.0	Normal for small businesses
Above 2.0	Heavily leveraged — watch carefully
Above 3.0	 Lenders worry. You should too.

4. Working Capital — Your Cash Cushion

Current Assets – Current Liabilities

- Positive = you have a buffer
- Negative = you need more current assets or fewer current liabilities
- Track the trend quarterly — growing is good

5. Book Value — What's Your Business Worth on Paper?

Total Assets – Total Liabilities

- Not market value, but the accounting floor
 - Should increase over time if the business is healthy
 - Shrinking book value = investigation time
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Red Flags to Watch For

- Current ratio below 1.0
 - Debt-to-equity above 2.5
 - Accounts receivable growing faster than revenue
 - Negative or shrinking owner's equity
 - Cash decreasing while profits look fine (cash \neq profit)
 - AR over 60 days exceeds 20% of total AR
 - Personal assets listed as business assets
 - No depreciation recorded on equipment/vehicles
 - Owner draws exceeding retained earnings
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Monthly Review Checklist (10 Minutes)

- **Pull your balance sheet** (as of today's date)
- **Calculate current ratio** — above 1.5? ✓
- **Check cash balance** — does it match your bank? (Reconcile if not)
- **Review AR** — anything over 60 days? Follow up today.
- **Compare to last month** — assets growing? Liabilities shrinking? Equity trending up?

- **Gut check** — anything surprising? Investigate before moving on.

Quick Formulas Cheat Sheet

Ratio	Formula	Target
Current Ratio	Current Assets ÷ Current Liabilities	1.5+
Quick Ratio	(Current Assets – Inventory) ÷ Current Liabilities	1.0+
Debt-to-Equity	Total Liabilities ÷ Owner's Equity	Below 2.0
Working Capital	Current Assets – Current Liabilities	Positive & growing
Book Value	Total Assets – Total Liabilities	Growing over time

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