Introduction to Accounting

Applied Education

Learner Guide

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ACCOUNTING BASICS

Accounting is the systematic and comprehensive recording of the financial transactions of an entity (business, partnership, company etc.) in order to establish the entity's financial position. This is important for management to make informed financial decisions, plan for the future and provide information to other parties such as banks or investors.

Most entities are also required to provide financial information and reports to various regulatory authorities, such as the Australian Taxation office (ATO) and the Australian Securities and Investments Commission (ASIC).

Accounting Standards

Accounting standards are the rules that determine how a particular financial transaction or event should be recognised, measured, presented and disclosed in the financial accounts. The accounts are then used in the preparation and presentation of the entity's financial statements.

Accounting standards are designed to ensure reporting consistency between business entities, and improve the quality of financial reporting in Australia.

The Australian Accounting Standards Board (AASB) is the organisation responsible for developing, issuing and maintaining the Australian Accounting Standards.

Cash and Accrual Accounting Systems

When using a **Cash Accounting System**, a financial transaction is recorded in the entity's accounts when the related cash is paid or received.

In an **Accrual Accounting System**, the transaction is recorded in the period when the transaction occurred, regardless of whether the payment has been made or received.

The accounting system used will depend on the structure, size and complexity of the organisation, and is generally determined by ASIC and ATO rules, regulations and reporting requirements.

For example

A lawyer provides legal advice in January and is paid by the client in March.

Under a *cash accounting system*, the lawyer would record the income in his accounts in March when the payment was received.

Under an *accrual accounting system*, the lawyer would record the income in January when the work was performed.

ACCOUNT GROUPS

The financial transactions of an organisation are collected within one complete record called the general ledger. Each financial transaction is recorded against 'accounts' in the general ledger.

An account is just a method of categorising the elements of the transaction. All general ledger accounts fit into one of five categories or account groups.

The first three account groups form the entity's Balance Sheet (also known as the Statement of Financial Position) and include Assets, Liability and Owners Equity.

Assets

Assets are the items of value the entity owns or is owed. Assets can be either tangible (physical) assets, or intangible assets (not physical in nature). Examples of business assets include:

- Cash or money held in bank accounts
- Furniture and fixtures
- Land and buildings
- Computer equipment
- Motor vehicles
- Money owed to the organisation by customers/ debtors (known as accounts receivable)
- Patents and trademarks
- Goodwill

Liabilities

Liabilities are moneys owed or financial obligations of the organisation. These can include:

- Bank loans and mortgages
- Overdrafts
- Moneys owed to other organisations such as suppliers (known as accounts payable)

Owner’s Equity

Equity is your organisation’s net worth and can include:

- Amounts investment into the business by the owner (capital contributions).
- Shares issued to shareholders.
- Any profits made by the business in previous financial years.

Accounts Payable

Accounts payable is the money owed by an organisation to its suppliers for goods or services purchased on credit. On the organisation’s balance sheet, it is shown as a **liability**.

Accounts Receivable

Accounts receivable is money owed to the organisation by its customers, for the goods or services that have been supplied on credit. Usually, these are in the form of an invoice and are shown as an **asset** within a balance sheet.

The Accounting Equation

The accounting equation highlights the relationship between Assets, Liabilities and Owner's Equity

It is expressed as follows:

Assets minus Liabilities equals Owners Equity
(A – L = OE)

It can also be presented as:

Assets equal Liabilities plus Equity
(A = L + OE)

The accounting equation **must always balance**, and it is this concept that ensures the accounts always balance in a double-entry accounting system.

For example

When you start a business you might purchase some office equipment such as a computer to the value of $2,000. The computer is an Asset valued at $2,000 and you, the owner of the business, have invested $2,000 of capital.

The accounting equation is in balance as follows:

Assets ($2,000) – Liabilities ($0) = Equity ($2,000)

If instead of investing your own money to purchase the computer, you took out a $2,000 loan from the bank,

The accounting equation would then be:

Assets ($2,000) – Liabilities ($2,000) = Equity ($0)

You haven't invested any of your own money into the business so at the moment your Equity in the business is zero, however the business has a liability of $2,000; money owed by the business to the bank.

As the business begins to trade, each transaction will have an equal and opposite entry to ensure the double-entry accounting system is maintained.

THE BALANCE SHEET

The Balance Sheet reflects the accounting equation in report form, and is part of the Financial Reports of the organisation.

BALANCE SHEET as at 30 June 20xx			
ASSETS		**LIABILITIES**	
Cash at bank	$2,000	Bank Loan	$2,000
		EQUITY	
		Capital	$0
	$2,000		**$2,000**

The Balance Sheet can also be presented as follows:

Balance Sheet As at 30 June 20xx	
Assets	
Cash at bank	$2,000
Minus	
Liabilities	
Bank Loan	$2,000
NET ASSETS	**$0**
Represented by:	
OWNERS EQUITY	
Capital	**$0**

THE PROFIT & LOSS REPORT

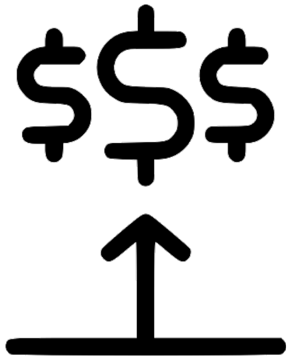
The remaining two account groups are Revenue and Expenses, and these are reported on the Profit and Loss statement (also known as the Statement of Financial Performance).

Expenses are deducted from the Revenue for the period, to calculate the profit or loss for the organisation.

Revenue

Revenue is the money that your organisation has earned, including:

- Sales
- Interest received
- Rental income



Expenses

Expenses are the amounts incurred while earning revenue, and may include expenditure such as:

- Salaries and Wages
- Office rental
- Water rates
- Telephone
- Internet
- Stationary
- Printing
- Interest paid

Expanded Accounting Equation

Any profit for the period (revenue minus expenses) is transferred to the Balance Sheet at year end, and added to the Owner's Equity.

If the expenses are greater than the revenue the organisation makes a loss for the year, which is transferred to the Balance Sheet and deducted from Equity.

The Accounting Equation can therefore be expanded to include revenue and expenses as follows:

Assets minus Liabilities equals Equity + Revenue – Expenses
(A – L = OE + R - E)

It can also be presented as:

Assets + Expenses equals Liabilities plus Equity + Revenue
(A + E = L + OE + R)

DOUBLE ENTRY ACCOUNTING

Double entry accounting (also known as double entry bookkeeping) is the system where each financial transaction contains at least two entries, a debit and a corresponding credit.

Each entry is posted to a general ledger account, within one of the five account groups.

Example 1

If an organisation **purchases Office Furniture using Cash** from the bank account, the transaction would consist of two entries in the Assets account group, decreasing the balance of the Bank account, and also increasing the balance of the Office Furniture account.

Bank Account

Office Furniture

Example 2

If instead of using cash from the bank account, the organisation **takes out a Bank Loan to purchase the Office Furniture** the transaction would increase Liabilities; the Loan account and increase Assets; the Office Furniture account.

Asset Account

Loan Liability Account

As you can see from the above examples, the double entry accounting system ensures the Accounting Equation holds true for all transactions.

Chart of Accounts

The list of general ledger accounts used by an organisation is called the ***Chart of Accounts***.

Individual accounts can be added to the Chart of Accounts, deleted or updated as and when required, although it is generally a good idea to consult with the Accountant before doing so.

Debits and Credits

Debits and credits are used in financial transactions known as journal entries, to either increase or decrease the amounts in the financial accounts.

A debit (DR) is the posting on the left hand side of the journal.

A credit (CR) is posted to the right hand side of the journal.

ACCOUNT GROUP RULES

Account Groups are either debit or credit by nature, meaning the accounts will have either a debit or credit balance. The rules that apply to each Account Group are further below.

Debit Balances

Assets and Expenses have debit balances

Credit Balances

Liabilities, Owner's Equity and Revenue have credit balances

Assets

Accounts that are classified as Assets have a **debit** nature.

To **increase** an Asset account, the account would be **debited**.

To **decrease** an Asset account the account would be **credited**.

For example

*If the business **purchases** new Computer Equipment.*
The Assets of the business have increased, therefore the Computer Equipment asset account should be debited by the value of the equipment purchased.

*If the business **sells** a computer or other asset.*
The Asset account would be credited and the value on the balance sheet reduced.

Liabilities

Accounts that are classified as Liabilities have a **credit** nature.

To **increase** a Liability account, the account would be **credited**.

To **decrease** a Liability account the account would be **debited**.

For example

If the business was to **take out a new loan**, the liability of the business has increased, therefore the Loan liability account should be credited.

If the business was to **make loan repayments**, then the liabilities of the business have decreased and the Loan account would be debited.

Owner's Equity

Any account that is classified as Equity has a **credit** nature.

To **increase** an Equity account, the account would be **credited**.

To **decrease** an Equity account, the account would be **debited**.

For example

If the business **made a profit** in the previous year, the Equity of the business has increased, therefore the Equity account would be credited by the profit amount.

If the owner of the business was to **take funds out of the business** (known as Drawings), then the Equity of the business has decreased and the Equity account for Drawings would be debited.

Revenue

Accounts that are classified as Revenue have a **credit** nature.

To **increase** a Revenue account, the account would be **credited**.

To **decrease** a Revenue account, the account would be **debited**.

For example

When a business makes **sales** to customers, the Revenue of the business has increased, therefore the Revenue account for Sales should be credited by the amount of the sale or income earned.

Expenses

Any account that is classified as an Expense has a **debit** nature.

To **increase** an Expense account the account would be **debited**.

To **decrease** an Expense account the account would be **credited**.

For example

When the business **pays office rent**, the Expenses of the business have increased, therefore the Expense account for Rent should be debited.

JOURNAL ENTRIES

As mentioned above, whenever an accounting transaction is recorded, at least one general ledger account is debited and at least one account is credited. The transaction can have multiple debits or credits as long as the total value of the debits and the total value credits is equal. This is known as **double entry bookkeeping** (or double entry accounting).

For example

If the business was to spend $100 at Officeworks, made up of stationary ($30) and printing ($70), and paid using the business VISA card, the transaction would have two debits (expenses) and one credit (liability) as follows:

Account	Debit	Credit
Printing	70	
Stationery	30	
Visa Card		100

Total debits and total credits are equal $100, so the transaction balances.

Financial transactions should be promptly entered into the accounts of the business. To do this you can process a journal entry.

The journal entry will consist of:

- The general ledger accounts,
- The transaction amounts to be debited and credited,
- A brief explanation of the transaction and
- The date of the transaction.

There are a number of different types of journals that can be used by an organisation. The most common being the **general journal.**

Other journals used to summarise key information may include:

- Cash payments journal
- Cash receipts journal
- Purchases journal and
- Sales journal

In a small business with a limited number of customers and suppliers, it is common for all transactions to be entered directly into the general journal.

GENERAL JOURNAL ENTRIES

Following are some examples of common general journal entries for businesses in Australia.

In the following examples, we assume the organisation is not registered for GST. Transactions involving GST will be addressed in the next section.

Payment of expenses, internet charge paid directly from the bank account
(i.e. BPAY or direct debit):

Date	Details	DR	CR
1 January	Internet	$110.00	
	Bank		$110.00
	Payment of internet bill		

Recording of invoices for expenses on credit (to be paid at a later date):

Date	Details	DR	CR
1 January	Telephone	$110.00	
	Accounts Payable		$110.00
	Telstra invoice #3333		

Payment of amounts owing to a supplier (creditor):

Date	Details	DR	CR
10 January	Accounts Payable	$110.00	
	Bank		$110.00
	Payment to Telstra invoice #3333		

Owner invests capital into the business:

Date	Details	DR	CR
10 January	Bank	$5,000.00	
	Capital		$5,000.00
	Investment of $5,000 by the owner		

Business draws down a loan from the bank:

Date	Details	DR	CR
10 January	Bank	$6,000.00	
	Bank Loan		$6,000.00
	Drawdown of $6,000 loan from the bank		

Purchase of furniture with cash (or debit card):

Date	Details	DR	CR
11 January	Furniture	$2,200.00	
	Bank		$2,200.00
	Purchase of ergonomic desks for the office		

Sale of goods or services, customer paid cash (or EFTPOS):

Date	Details	DR	CR
15 January	Bank	$330.00	
	Sales		$330.00
	Cash sale to customer		

Sale of goods and services on credit /invoice:

Date	Details	DR	CR
16 January	Accounts Receivable	$550.00	
	Sales		$550.00
	Credit sale of goods to customer XYZ Pty Ltd Invoice #9960		

Receipt of amounts owed from customers (debtors):

Date	Details	DR	CR
28 January	Bank	$550.00	
	Accounts Receivable		$550.00
	Payment by customer (XYZ Pty Ltd) Invoice #9960		

Repayment of loan (including interest)

Date	Details	DR	CR
1 February	Bank Loan	$1,000.00	
	Interest Paid	$50.00	
	Bank		$1,050.00
	Loan repayment		

GOODS AND SERVICES TAX (GST)

On 1 July 2000, Australia introduced a broad-based value-added tax system, which applies a **10% tax to most goods and services** in Australia.

Basic foods and other expenses, such as some education courses and medical costs, are excluded from GST (GST-Free).

Australian businesses are required to register for GST if they have an annual turnover (revenue) of $75,000 (or $150,000 for non-profit organisations). Businesses that are registered for GST are required to collect the 10% tax on behalf of the ATO, by adding this amount to the sales price of their goods and services. The business is also able to claim back any GST they have paid on business related purchases.

GST paid and GST collected by the business is reported to the ATO on a Business Activity Statement (BAS). The difference between the amount of GST collected and the amount of GST paid by the business, is then either paid to the ATO or reimbursed to the business by the ATO.

Businesses that are not registered for GST <u>cannot</u> charge their customers GST, and are unable to claim back any GST paid from the ATO.

For example

A business has collected $5,000 GST from their customers for the year, and has paid $4,000 worth of GST (included in total amount of expenses paid and assets purchased by the business). The amount owing to the ATO is $1,000 being the difference between the GST collected and the GST paid for the period.

If the business had paid $6,000 of GST on their purchases and expenses, then the ATO would reimburse the business an amount of $1,000 ($6,000 GST paid minus $5,000 GST collected).

General journal entries with GST

GST paid or collected is recorded in the purchase or sale transaction only.

Other transactions that are not considered the supply of goods and services are not impacted by GST. This includes salary and wages paid to employees, receipts from debtors, payments made to creditors, transfer of funds between bank accounts and drawings of capital from the business by the owner.

We will now look at the same journal entries as in the previous section, but incorporating the GST component.

Examples

The following examples are some common general journal entries for businesses registered for GST in Australia.

Payments of expenses (internet charge) using cash from the bank account
(i.e. BPAY or direct debit):

Date	Details	DR	CR
1 January	Internet	$100.00	
	GST Paid	$10.00	
	Bank		$110.00
	Payment of internet bill		

Recording of invoices for telephone expenses on credit (to be paid at a later date):

Date	Details	DR	CR
1 January	Telephone	$100.00	
	GST Paid	$10.00	
	Accounts Payable		$110.00
	Telstra invoice #3333		

Payment of amounts owing to a supplier (creditor):

Date	Details	DR	CR
10 January	Accounts Payable	$110.00	
	Bank		$110.00
	Payment to Telstra #3333		

Owner invests capital into the business:

Date	Details	DR	CR
10 January	Bank	$5,000.00	
	Capital		$5,000.00
	Investment of $5,000 by the owner		

Business draws down a loan from the bank:

Date	Details	DR	CR
10 January	Bank	$6,000.00	
	Bank Loan		$6,000.00
	Drawdown of $6,000 loan from the bank		

Purchase of furniture, cash paid (or debit card):

Date	Details	DR	CR
11 January	Furniture	$2,000.00	
	GST Paid	$200.00	
	Bank		$2,200.00
	Purchase of ergonomic desks for the office		

Sale of goods or services, customer pays with cash (or EFTPOS):

Date	Details	DR	CR
15 January	Bank	$330.00	
	GST Collected		$30.00
	Sales		$300.00
	Cash sale to customer		

Sale of goods and services on credit /invoice:

Date	Details	DR	CR
16 January	Accounts Receivable	$550.00	
	GST Collected		$50.00
	Sales		$500.00
	Credit sale to customer XYZ Pty Ltd Invoice #9960		

Receipt of amounts owed from customers:

Date	Details	DR	CR
28 January	Bank	$550.00	
	Accounts Receivable		$550.00
	Payment by customer (XYZ Pty Ltd) Invoice #9960		

Repayment of loan including interest:

Date	Details	DR	CR
1 February	Bank Loan	$1,000.00	
	Interest Paid	$50.00	
	Bank		$1,050.00
	Loan repayment		

THE GENERAL LEDGER

The financial transactions of an organisation are collected within one complete record known as the general ledger.

The financial data from journal entries is posted to the general ledger on a periodic basis.

The general ledger therefore contains the balances of all the accounts that form the 'chart of accounts' of the organisation (including asset, liability, equity, income and expense accounts).

The general ledger is used as the basis to prepare the organisation's financial statements and reports. It can be a manual set of accounts or incorporated as part of a computerised accounting system.

Posting transactions to the general ledger

Journal entries are posted to the general ledger on a regular basis.

Each posting to the general ledger should include the:

- Transaction date
- Amount of the transaction and
- Details of the corresponding account

Remember - under the double entry accounting system, each entry has at least one debit and one credit posting.

Some organisations will also include a **reference number** which can track the general ledger posting back to the original journal entry.

If the organisation has a **computerised accounting system** such as Xero or MYOB, the journal entry is usually posted to the general ledger automatically when the transaction is processed in the system (i.e. entry of an invoice, payment of a receipt from a customer etc.).

In a **manual accounting system**, the journals are usually posted to the general ledger monthly or whenever the organisation is required to produce financial reports.

Examples

The following journal entries from the previous section of this manual are now required to be posted to the general ledger. The journal entry provides the basis for posting to the ledger as follows:

TRANSACTION 1 – PAYMENT OF INTERNET BILL

Payments of expenses (internet charge) using cash from the bank account
(i.e. BPAY or direct debit):

JOURNAL ENTRY

Date	Details	DR	CR
1 January	Internet	$100.00	
	GST Paid	$10.00	
	Bank		$110.00
	Payment of internet bill		

The above journal entry requires three postings to the General Ledger, to update the Internet expense, GST Paid and Bank accounts (see below).

GENERAL LEDGER

Internet

Date	Details	DR	CR	Balance	
1 January	Bank	$100.00		$100.00	DR

GST paid

Date	Details	DR	CR	Balance	
1 January	Bank	$10.00		$10.00	DR

Bank

Date	Details	DR	CR	Balance	
1 January	Opening balance	$1,000.00			DR
1 January	Internet		$110.00	$890.00	DR

In this example the Bank account had an opening balance of $1,000 already posted in the General Ledger, carried forward from the previous financial year. The corresponding opening balance will be in the Capital account.

The details column provides the account detail for the corresponding ledger posting (i.e. the other side of the journal).

TRANSACTION 2 – TELEPHONE EXPENSE

Recording of invoices for telephone expense on credit (invoice to be paid at a later date):

JOURNAL ENTRY

Date	Details	DR	CR
1 January	Telephone	$100.00	
	GST Paid	$10.00	
	Accounts Payable		$110.00
	Telstra invoice #3333		

This journal entry also requires three postings to the General Ledger, to update the Telephone expense, GST Paid and Accounts Payable accounts (see below)

GENERAL LEDGER

Telephone

Date	Details	DR	CR	Balance	
1 January	Accounts Payable	$100.00		$100.00	DR

GST paid

Date	Details	DR	CR	Balance	
1 January	Bank	$10.00		$10.00	DR
1 January	Accounts Payable	$10.00		$20.00	DR

Accounts payable

Date	Details	DR	CR	Balance	
1 January	Telephone/ GST Paid		$110.00	$110.00	CR

In this example the GST Paid account has a balance of $10 already posted in the General Ledger from the previous posting.

TRANSACTION 3 – PAYMENT TO SUPPLIER

Payment of amounts owing to a supplier (creditor):

JOURNAL ENTRY

Date	Details	DR	CR
10 January	Accounts Payable	$110.00	
	Bank		$110.00
	Payment to Telstra #3333		

This journal entry requires two postings to the General Ledger, to update the Bank and Accounts Payable accounts (see below).

GENERAL LEDGER

Accounts payable

Date	Details	DR	CR	Balance	
1 January	Telephone/ GST Paid		$110.00	$110.00	CR
10 January	Bank	$110.00		$0.00	

Bank

Date	Details	DR	CR	Balance	
1 January	Opening balance	$1,000			DR
1 January	Internet		$110.00	$890.00	DR
10 January	Accounts Payable		$110.00	$780.00	DR

TRANSACTION 4 – INVESTMENT OF CAPITAL

Owner invests capital into the business:

JOURNAL

Date	Details	DR	CR
10 January	Bank	$5,000.00	
	Capital		$5,000.00
	Investment of $5,000 by the owner		

This journal entry requires two postings to the General Ledger, to update the Capital (Equity) and Bank accounts (see below).

GENERAL LEDGER

Capital

Date	Details	DR	CR	Balance	
1 January	Opening balance		$1,000.00	$1,000.00	CR
10 January	Bank		$5,000.00	$6,000.00	CR

Bank

Date	Details	DR	CR	Balance	
1 January	Opening balance	$1,000			DR
1 January	Internet		$110.00	$890.00	DR
10 January	Accounts Payable		$110.00	$780.00	DR
10 January	Capital	$5,000		$5,780.00	DR

As you can see from the examples above, the General Ledger records a running balance of the total for the financial year, for each account.

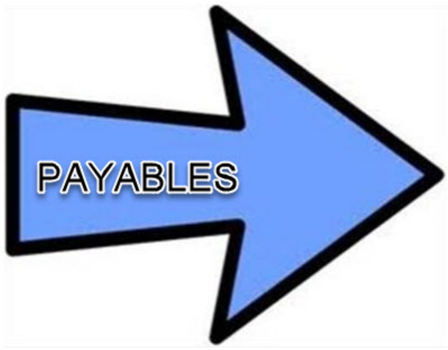
SUBSIDIARY LEDGERS

Some general ledger accounts will also have a corresponding subsidiary ledger which contains additional details of the financial transaction that the organisation requires.

Two common examples of subsidiary ledgers are the:

- Sales/ accounts receivable ledger and
- Purchases/ accounts payable ledger.

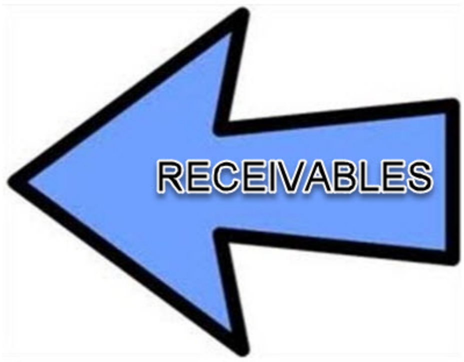
Accounts payable ledger



Details of **accounts payable transactions**, are recorded in the purchases or accounts payable subsidiary ledger.

If the organisation has a computerised accounting system, the accounts payable ledger is posted to when a supplier's invoice is entered into the system and will include details such the purchase order number, invoice number, quantity of goods purchased and invoice amount. A corresponding, summary entry is posted to the general ledger accounts payable account, which does not include the supplier details.

Accounts receivable ledger



The detailed **listing of unpaid customer invoices** is usually recorded in a subsidiary sales/ accounts receivable ledger. The subsidiary ledger contains the details of each invoice including the customer name, invoice number, due date for payment and the invoice amount. A large organisation may have hundreds of outstanding customer invoices at any time.

For example, an accounts receivable subsidiary ledger includes a separate account for each customer who makes credit purchases. The combined balance of the customer accounts in this subsidiary ledger will be equal to the balance of accounts receivable in the general ledger. Every time a posting is made to the subsidiary ledger (customer) account a corresponding entry is posted to the general ledger accounts receivable account. Subsidiary ledger (customer) accounts are not part of the general ledger; they are supplemental accounts that provide the detail to support the balance in the general ledger.

To check the total amount owed the organisation at any point in time, you can check the general ledger accounts receivable account balance. If you require further details on which customers owe you money, how much and when these amounts are due, you would refer to the accounts receivable subsidiary account.

TRIAL BALANCE REPORT

What is a Trial Balance?

A Trial Balance is an interim financial report that lists the account balances for each account contained in the general ledger.

The purpose of the Trial Balance is to ensure that the debit and credit balances are equal after all transactions have been posted to the general ledger. It ensures that a corresponding credit entry is recorded for each debit entry that is recorded, in accordance with the double entry accounting system.

The Trial Balance is **used to** prepare the organisation's Profit & Loss and Balance Sheet reports so is usually prepared at the end of an accounting period i.e. month, quarter or financial year, depending on the size and reporting requirements of the organisation.

The **format** of the Trial Balance generally displays the general ledger account name in the first column, debit balances in the second column and credit balances in the third column, with the total of debits and credits in the bottom row, as shown in the diagram below:

TRIAL BALANCE as at 30 June 2018

	Debit ($)	***Credit ($)***
Cash at Bank	1,500	
Accounts Receivable	4,000	
Motor Vehicles	15,000	
Accounts Payable		6,000
Capital		8,500
Income		12,000
Cost of goods sold	5,000	
Telephone & Internet	300	
Office expenses	700	
TOTAL	**$26,500**	**$26,500**

The debit side includes:

- Asset accounts
- Expense accounts

The credit side includes:

- Liability accounts
- Income accounts
- Equity accounts

Limitations of the trial balance

The trial balance will only highlight if the total of all debit balances matches the total of all credit balances.

However, the fact that these balances are equal does not indicate that the accounts are correct.

There may still be errors in the general ledger such as:

- Journal entered against the incorrect account.
- Journal entered with incorrect amounts.
- GST paid and collected recorded incorrectly.
- Debits and credits transposed (posted the opposite way around) in the journal.
- Required journals have not been entered.

Organisations should have policies and procedures in place, such as **account reconciliations**, to detect these types of error.

Financial statements

Once the Trial Balance has been checked and determined to be accurate and complete, the organisation can use the account balances to prepare the end of period financial reports such as the Profit and Loss and Balance Sheet.