STATEMENT OF FINANCIAL POSITION

SOFP

INTRODUCTION

The Statement of Financial Position, commonly known as the Balance Sheet, is a key financial statement that provides a snapshot of an organization's financial health at a specific point in time.
It summarizes the company's **assets, liabilities,** and **equity.**

The balance sheet follows a simple formula:
Assets = Liabilities + Owner Equity

COMPONENT

ASSETS

LIABILITIES

OWNER EQUITY

ASSETS

Assets are resources owned by the company that are expected to bring future economic benefits. They are critical components of a business's financial health, and they represent the foundation of a company’s ability to generate revenue.

ASSETS

Assets are typically divided into two categories:

CURRENT ASSETS

Current assets are short-term resources that are expected to be converted into cash, sold, or consumed within a company's operating cycle (usually within one year). These assets provide liquidity and are crucial for day-to-day operations.

NON-CURRENT ASSETS

Non-current assets, also known as long-term or fixed assets, are resources that a company expects to use for more than one year. These assets are essential for the company's operations and are typically less liquid than current assets

CURRENT ASSETS

CASH/BANK

This includes physical currency, bank balances, and short-term investments that can be easily converted into cash. Cash is the most liquid asset and is used for daily transactions.

- Examples: Cash on hand, treasury bills, money market funds.

INVENTORIES

Inventory includes raw materials, work-in-progress goods, and finished goods that are held for sale in the ordinary course of business.

- Examples: Merchandise in retail stores, raw materials for manufacturing

DEBTORS

This represents the money owed to the company by customers for goods or services that have been delivered but not yet paid for. It is expected to be collected within a short period.

- Example: A company sells goods on credit to a customer, and the customer is expected to pay within 30 days.

PREPAID EXPENSES

These are payments made by the company for services or goods to be received in the future. They are recorded as assets until the benefits are received.

- Examples: Prepaid rent, insurance premiums.

NON-CURRENT ASSETS

PROPERTY, PLANT, AND EQUIPMENT (PP&E)

These are tangible assets that the company uses in its operations to produce goods or services. They have a long useful life and are depreciated over time.

- Examples: Buildings, machinery, office equipment, vehicles, land (note that land is not depreciated).

INTANGIBLES ASSETS

These are non-physical assets that have value because they grant certain legal rights or competitive advantages to the company.

- Examples: Patents, trademarks, copyrights, goodwill (the value of a company's brand, customer base, and reputation).

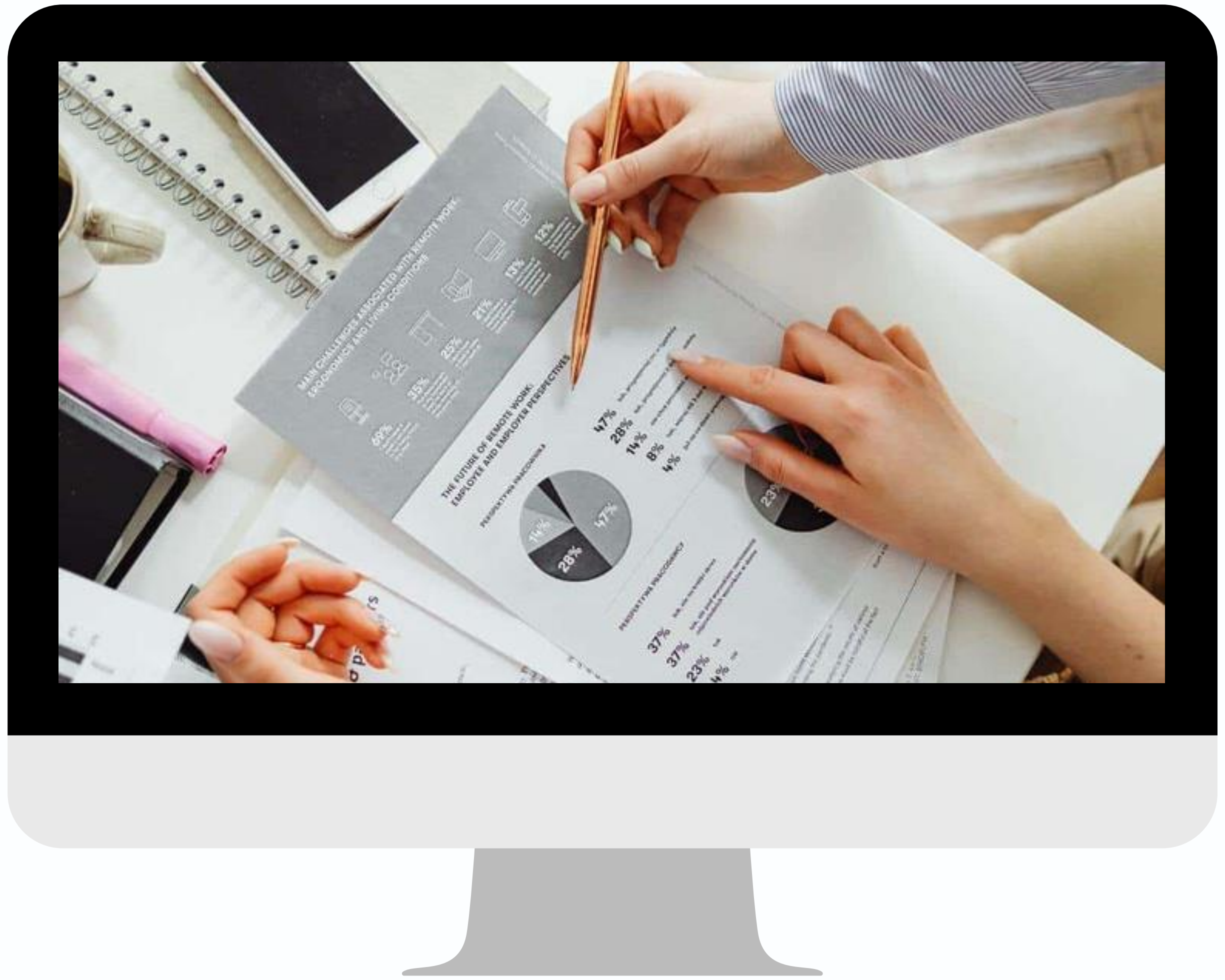
LONG TERM INVESTMENT

These are investments that the company intends to hold for more than one year. These can include stocks, bonds, or ownership stakes in other businesses.

- Example: Equity investment in another company where the intention is long-term growth.

LIABILITIES

Liabilities represent a company's obligations or debts that arise during its business operations and are typically settled over time through the transfer of money, goods, or services. In simple terms, liabilities are what a company owes to others, such as loans, payments to suppliers, or future commitments.



LIABILITIES

Assets are typically divided into two categories:

These are obligations the company must pay within a year

Non-current liabilities are long-term obligations that are not expected to be settled within the next year. These liabilities often relate to large, long-term investments or financial arrangements made by the company.

CURRENT LIABILITIES

CREDITORS

Money owed by the company to its suppliers for goods or services purchased on credit. This is typically due within a short period, often 30 to 90 days.

- Example: A company buys raw materials from a supplier on credit and must pay for them within 60 days.

OVERDRAFT BANK

where a company withdraws more money from its bank account than it holds. Essentially, the bank allows the company to go into a negative balance, up to a predetermined limit, and this borrowed amount must be repaid in the short term.

ACCRUED EXPENSES

These are expenses that have been incurred but not yet paid. These often include wages, utilities, and taxes.

- Example: Salaries for employees that have been earned but not yet paid out at the end of the accounting period.

UNEARNED REVENUE

This is money received by the company for services or goods that have not yet been provided or delivered. The company records this as a liability until it fulfills the service or delivers the product.
Example: A customer pays in advance for a subscription service, but the company still owes them the future service.

OWNER EQUITY

CAPITAL

the money or assets that owners invest in a business, including their initial investment and profits kept in the business

DRAWING

the money or assets taken out by an owner from a business for personal use

PROFIT / LOSS

summarizes a company's revenues, costs, and expenses during a specific period, typically a fiscal quarter or year

FORMAT STATEMENT OF FINANCIAL STATEMENT

Name of business
STATEMENT OF FINANCIAL POSITION as at.....

		RM	RM	RM
	Non Current Assets			
	Properties, Plant & Equipment		X	
	Land		X	
	Building/ Premises		X	
	Motor Vehicles	X		
(-)	Provison of depreciation	(X)		
			X	
	Plant and Machinery	X		
(-)	Provision of depreciation	(X)	X	
	Office Equipment	X		
(-)	Provision of depreciation	(X)	X	
	Investment		X	
	Goodwill		X	
	Total Non Current Asset			**XX**
	Current Assets			
	Closing Inventories		X	
	Debtors/ Account Receivables	X		
(-)	Bad Debt	(X)		
(-)	Provision of Doubtful Debt	(X)		
			X	
	Cash at bank		X	
	Cash in hand		X	
	Prepayment expenses		X	
	Accrued revenues		X	
	Total Current Asset			**XX**
	TOTAL ASSETS (NCA+CA)			**XX**

	Financed by :		
	Owner's Equity		
	Opening Capital	X	
+	Net Profit / (Loss Profit)	X	
(-)	Drawings	(X)	XX
	Non Current Liabilities		
	Loan	X	
	Long term Loan	X	
	Mortgage	X	XX
	Current Liabilities		
	Creditors/ Account Payable	X	
	Overdraft Bank	X	
	Accrued Expenses	X	
	Advanced revenue	X	XX
	TOTAL OWNER EQUITY + LIABILITIES		**XX**

IMPORTANCE OF STATEMENT OF FINANCIAL STATEMENT

gives a clear picture of a company's financial status

helping everyone from investors to managers make smart decisions

By comparing balance sheets over time, businesses can identify trends, measure growth, and spot potential financial issues early on

CONCLUSION

In conclusion, the statement of financial position, is an important document that shows a company's financial health at a specific time. It lists what the company owns (assets), what it owes (liabilities), and the owner’s equity. This information helps investors, lenders, and managers make smart decisions about investments and loans. Overall, this statement is key to understanding a company's financial situation and planning for the future.

THANK YOU