**English**

**Title: balance sheet 1**

**Objectives:**

Students will learn some general concepts about balance sheet components: assets, depreciation, and accrued expenses

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**Introduction:**

This text provides a glimpse about the principal balance sheet components.

1. **Assets**

An **asset** is something that has value, or the power to earn money. These include:

**•Current assets**: money in the bank, investments that can easily be turned into money, money that customers owe, stocks of goods that are going to be sold.

* **Fixed assets**: equipment, machinery, buildings and land.
* **Intangible assets**: things which cannot see. For example, **goodwill**: a company’s good reputation with existing customers, and **brands**: established brands have the power to earn money.

1. **Depreciation**

Joanna Cassidy is head of IT (Information Technology) in a publishing company:

‘Assets such as machinery and equipment lose value over time because they wear out, or are no longer up-to-date. This is called **depreciation** or **amortization**. For example, when we buy new computers, we **depreciate** the or **amortize** them **over** a very short period, usually three years, and a **charge** for this is shown in the financial records: the value of the equipment is **written down** each year and **written off** completely at the end.

1. **Accrued expenses**

Because of the matching principle, under which transactions and other events are reported in the periods to which they relate and not when cash is received or paid, balance sheets usually include **accrued expenses**. These are expenses that have accumulated or built up during the accounting year but will not be paid until the following year, after the date of the balance sheet. So accrued expenses are charged against income-that is deducted from profits, even though the bills have not yet been received or the cash paid. Accrued expenses could include taxes and utility bills, for example electricity and water.