

How to complete a Balance Sheet in California

Itemized balance sheet with current/long-term assets, liabilities and owner's equity.

What this form is for

Banks require a balance sheet to assess your business's financial health at a specific point in time. This snapshot shows what you own, what you owe, and your net worth, helping lenders evaluate creditworthiness and loan-to-value ratios.

Before you start

- Recent bank statements for all business checking, savings, and money market accounts
- Current outstanding balances on all loans, credit cards, lines of credit, and leases
- Inventory valuation records and accounts receivable aging reports
- Documentation of fixed assets including vehicles, equipment, real estate, and their current market or book values
- Prior year's balance sheet and most recent tax return to ensure consistency

Step-by-step

1. Enter the reporting date at the top of the form. Choose your fiscal year-end or the most recent month-end to align with your tax documents.
2. List current assets starting with cash and cash equivalents from all business accounts. Include accounts receivable, inventory at cost or market value (whichever is lower), and prepaid expenses. Total this section.
3. Record long-term assets including property, vehicles, equipment, and fixtures. Use net book value (original cost minus accumulated depreciation). If you own real estate in California, note any Proposition 13 considerations affecting assessed value versus market value.
4. Add current assets and long-term assets to calculate total assets. Double-check this figure carries forward correctly.
5. List current liabilities including accounts payable, credit card balances, current portion of long-term debt due within twelve months, accrued payroll, and sales tax payable to the California Department of Tax and Fee Administration.
6. Enter long-term liabilities such as mortgages, equipment loans, and any notes payable with terms exceeding one year. List the remaining principal balance only.
7. Total all liabilities by adding current and long-term sections together.
8. Calculate owner's equity by subtracting total liabilities from total assets. For corporations, break this into capital stock and retained earnings. For sole proprietors and partnerships, show capital accounts and distributions.

9. Verify the fundamental accounting equation balances: Assets equal Liabilities plus Owner's Equity. This must balance perfectly or the form contains an error.

What lenders look for

- Lenders focus on your current ratio (current assets divided by current liabilities). A ratio below 1.0 signals potential cash flow problems and may trigger additional scrutiny or collateral requirements.
- Avoid inflating asset values or omitting liabilities. Banks will verify figures against tax returns and may order independent appraisals. Discrepancies damage credibility and can disqualify your application.
- Update depreciation schedules consistently. California follows federal depreciation rules for most assets, so ensure your balance sheet depreciation matches your tax filings.