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Balance Sheet

Student's Name

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A balance sheet can be defined as a report that sums up the company's assets, liabilities, and equity at a given period and provides a base for determining rates of return and evaluating the capital structure. Assets refer to the resources that an organization owns while liabilities refer to the obligations that a company has in either money that must be paid or services which must be performed (Phillips, Libby & Libby, 2015). The difference between current and non-current assets is that current assets can be converted to cash in less than a year and used to fund the ongoing operations and to pay current expenses. On the hand, noncurrent assets refer to long term investments that have a useful life of more than one year.

Organizations have to report their current value of its supplies as it essential in helping it to manage the inventory to reduce wastage of excess stock. The other reason is to able to meet with the demand of the customers as inventory management helps in securing products. The balance sheet does not offer any alternative stocking or product alternatives as it only contains a summary of the inventories. The reason why balance sheet does alternative stocking is based on accounting principles of showing the adjusted terminal value of each item in the balance sheet. The inventory purchase methods affect the values of supplies as it affects the cost of goods sold, gross margin, inventory cost, and net incomes as there advantages of both FIFO and LIFO methods.

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Reference

Phillips, F., Libby, R., & Libby, P. (2015). *Fundamentals of Financial Accounting*. McGraw-Hill Education.

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