Discussion of Balance Sheet

The balance sheet reports a company's assets, liabilities, and stockholders' equity as of a specific date, such as December 31, 2017, March 31, 2017, etc.

The accountants' [cost principle](https://www.accountingcoach.com/terms/C/cost-principle) and the [monetary unit assumption](https://www.accountingcoach.com/terms/M/monetary-unit-assumption) will limit the assets reported on the balance sheet.

**Assets will be reported**

(1) only if they were acquired in a transaction, and  
(2) generally at an amount that is not greater than the asset's cost at the time of the transaction.

This means that a company's creative and effective management team will not be listed as an asset. Similarly, a company's outstanding reputation, its unique product lines, and brand names developed within the company will not be reported on the balance sheet. As you may surmise, these items are often the most valuable of all the things owned by the company. (Brand names purchased from another company will be recorded in the company's accounting records at their cost.)

The accountants' [matching principle](https://www.accountingcoach.com/terms/M/matching-principle) will result in assets such as buildings, equipment, furnishings, fixtures, vehicles, etc. being reported at amounts less than cost. The reason is these assets are [depreciated](https://www.accountingcoach.com/terms/D/depreciated). Depreciation reduces an asset's [book value](https://www.accountingcoach.com/terms/B/book-value) each year and the amount of the reduction is reported as Depreciation Expense on the income statement.

While depreciation is reducing the book value of certain assets over their [useful lives](https://www.accountingcoach.com/terms/U/useful-life), the current value (or fair market value) of these assets may actually be increasing. (It is also possible that the [current value](https://www.accountingcoach.com/terms/C/current-value) of some assets—such as computers—may be decreasing faster than the book value.)

[Current assets](https://www.accountingcoach.com/terms/C/current-assets) such as Cash, Accounts Receivable, Inventory, Supplies, Prepaid Insurance, etc. usually have current values that are close to the amounts reported on the balance sheet.

[Current liabilities](https://www.accountingcoach.com/terms/C/current-liabilities) such as Notes Payable (due within one year), Accounts Payable, Wages Payable, Interest Payable, Unearned Revenues, etc. are also likely to have current values that are close to the amounts reported on the balance sheet.

[**Long-term liabilities**](https://www.accountingcoach.com/terms/L/long-term-liabilities) such as Notes Payable (not due within one year) or Bonds Payable (not maturing within one year) will often have current values that *differ* from the amounts reported on the balance sheet.

[**Stockholders' equity**](https://www.accountingcoach.com/terms/S/stockholders-equity) is the [book value of the company](https://www.accountingcoach.com/terms/B/book-value-of-a-company). It is the difference between the reported amount of assets and the reported amount of liabilities. For the reasons mentioned above, the reported amount of stockholders' equity will therefore be different from the current or market value of the company.

By definition the current assets and current liabilities are "turning over" at least once per year. As a result, the reported amounts are likely to be similar to their current value.

The long-term assets and long-term liabilities are *not* "turning over" often. Therefore, the amounts reported for long-term assets and long-term liabilities will likely be different from the current value of those items.