



Department of Education  
**SCHOOLS DIVISION OF CITY OF MEYCAUAYAN**  
Pag-asa St., Malhacan, City of Meycauayan, Bulacan



Senior High School

12

# Activity Sheet in Fundamentals of Accountancy, Business and Management

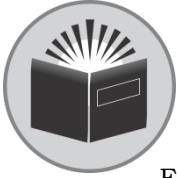
## Statement of Financial Position

ABM\_FABM12Ia-b-1 & ABM\_FABM12Ia-b-4



GOVERNMENT PROPERTY  
**NOT FOR SALE**

## STATEMENT OF FINANCIAL POSITION



### LET US KNOW

From the book of Theory of Account 2015 editions, Valix defines **financial statement** as the means by which the information accumulated and processed in financial accounting is periodically communicated to the users. **Financial statement** is an important tool to measure and report the company's financial performance, its condition in the market, inflows and outflow of cash and changes in equity, (Conrado Valix 2015). It is a product of financial accounting process. A sound financial statement aid manager to make an **objective and relevant decision**. These activity sheet aims to practice your skills in preparation of a financial statement where you can **evaluate entities liquidity, solvency and need of an entity for additional financing**. The **Statement of Financial Position**.



### LET US REVIEW

Choose the correct letter of an answer. Write your answer on separate sheet of paper.

1. Which of the following is considered bookkeeping?
  - a. Analyzing
  - b. Reporting
  - c. Recording
  - d. Summarizing
2. Which of the following process best defines an accounting?
  - a. Measuring Economic Activity
  - b. Communicating results to interested parties
  - c. Preventing Fraud
  - d. Both a and b
3. To which area of accounting are generally accepted accounting principles primarily relevant?
  - a. Managerial Accounting
  - b. Financial Accounting
  - c. Tax Accounting
  - d. Taxation
4. Which of the following is not one of three types of business activities?
  - a. Investing
  - b. Financing
  - c. Marketing
  - d. Operating

5. Which of the following is the best definition of accounting?
- a. Accounting is a process of measuring and communicating financial information.
  - b. Accounting is a service activity that provide quantitative information primarily financial in nature about economic entities that is intended to be useful in making economic decision.
  - c. Accounting is a process of identifying, measuring business transactions that is useful for overall business operation.
  - d. Accounting is an art of recording, classifying, and summarizing significant business transactions used in business operation



## LET US STUDY

**Statement of Financial Position (Balance Sheet)** is a formal statement showing the three elements comprising financial position namely, **Asset, Liabilities and Equity**. It is previously referred as **Balance Sheet**. Investors, creditors, and statement user refer to this data to **evaluate entities liquidity, solvency, and financial flexibility**.

**Solvency** refers to the availability of cash over the longer term to meet financial commitments as they fall due.

**Financial flexibility** is the ability to take effective actions to alter the amounts and timings of cash flow so that it can respond to unexpected needs and opportunities.

**Liquidity** refers to the availability of cash in the near future after taking account of financial commitments over this period .

Accounts found in the **Statement of Financial Position** are called **permanent account or real accounts**. **Real accounts** are permanent an in nature and are not closed at the end of the accounting period. They are **forwarded to the next accounting period**. **The date of this statement is always “as at” or “as of” the end of the period**.

### Preparation of Statement of Financial Position

In preparation of **Statement of Financial Position**, it is important to remember the accounting equation.

$$\text{ASSET} = \text{LIABILITIES} + \text{OWNER'S EQUITY}$$

Statement of Financial Position has two major parts – **its heading and body**.

**Heading displays:**

- The legal name of the business enterprise as it is registered with securities and exchange commission, the Department of Trade and Industry, or other government agencies. Being a separate entity.
- The title of Financial Statement , Statement of Financial Position.
- The particular date as of when the financial condition of the business is being reported which is usually as of the end of the month.

**Body displays :**

- **Asset** is an economic resources owned by reporting entity.
- **Liabilities** is an economic obligation of the enterprise.
- **Equity** is the residual claim of the owners over assets of business enterprises.

**Classification of Asset, Liabilities and Owners Equity**

**Table 1 : Classification of Statement of Financial Position Elements.**

<b>ASSETS CLASSIFICATION</b>
<p><b>Current Asset</b> is an asset expected to be realized within, or it is intended for sale or consumption within the entities <b>normal operating cycle or one year</b> whichever is longer related to receivables, inventories and prepaid expenses.</p> <p><b>Non-Current Asset is a long lived assets or long term assets</b>, includes tangible and intangible assets of a long term.</p> <p><b>Presented in the Statement of Financial Position</b> in the order of <u><b>liquidity or nearness to cash.</b></u></p>
<b>LIABILITIES CLASSIFICATION</b>
<p><b>Current Liabilities</b> are obligation that are expected to be settled <b>within entity's normal operating cycle</b> or is due to be settled within twelve months after the balance sheet date which ever is longer and finally, the entity does not have an unconditional right to defer the settlement of the liabilities for atleast twelve months after the balance sheet date.</p> <p><b>Non-Current Liabilities</b> all liabilities that will mature beyond one year from the Statement of Financial Position date.</p> <p><b>Presented in the Statement of Financial Position</b> in the order of <u><b>maturity or narnness to date of payment.</b></u></p>
<b>OWNER'S EQUITY</b>
<p><b>Residual interest</b> of owner in the assets of the entity sometimes called capital or simply equity.</p> <p style="text-align: center;"><b>Equity = Asset - Liabilities</b></p>

**Notes to Financial Statement** is prepared as reference to the details of the total amount reported to the Statement of Financial Position. It is a narrative description or disaggregation of items presented in the financial statements and information about items that do not qualify for recognition. Notes also contain information that does not fit into the body of the statements in order to enhance the understandability of statements (Conrado Valix 2015).

### Statement of Financial Position Presentation- Service Entity

Mahangin Vulcanizing Statement of Financial Position December 31,2019					
ASSETS					
<b>Current Assets</b>					
Cash					₱100,000.00
Accounts Receivable					15,000.00
Supplies					25,000.00
<b>Total Current Assets</b>					<b>₱140,000.00</b>
<b>Non Current Assets</b>					
Office & Furniture					₱25,000.00
Office Equipment					15,000.00
<b>Total Non Current Assets</b>					<b>₱40,000.00</b>
<b>Total Assets</b>					<b>₱180,000.00</b>
LIABILITIES AND OWNERS EQUITY					
<b>Current Liabilities</b>					
Accounts Payable					₱10,000.00
Salaries Payable					15,000.00
Utilities payable					5,000.00
<b>Total Current Assets</b>					<b>₱30,000.00</b>
<b>Non- Current Liabilities</b>					
Mortgage Payable					<b>₱ 50,000.00</b>
<b>Owners Equity</b>					
Mahangin, Capital					<b>₱100,000.00</b>
<b>Total Liabilities and Owner's Equity</b>					<b>₱180,000.00</b>

**Figure 1. Service Entity Statement of Financial Position**

**Double Lines** are ruled across the total assets to show that there are no more to be followed. **Normal Operating Cycle** of an entity is the time the acquisition of inventories processing and their realization in cash or cash equivalent . When the entity's normal operating cycle is not clearly identifiable ,**its duration is assumed to be twelve months.** (Palma 2014)

## Statement of Financial Position Presentation – Merchandising Entity

Honey Bunch Trading Statement of Financial Position December 31, 2019				
ASSET				
<b>Current Asset</b>				
Cash and Cash Equivalent s (Note 1)				₱1,119,250.00
Note Receivables				22,000.00
Accounts Receivables				220,000.00
Inventories (Notes 2)				220,000.00
<b>Total Current Assets</b>				<b>₱1,581,250.00</b>
<b>Non-Current Assets</b>				
Property Plant and Equipment ( Note 3)				407,000.00
Investment Property				1,100,000.00
Intangible Assets (Note 4)				198,000.00
<b>Total Non-Current Assets</b>				<b>₱1,705,000.00</b>
<b>Total Assets</b>				<b>₱3,286,250.00</b>
LIABILITIES & OWNERS' EQUITY				
<b>Current Liabilities</b>				
Accounts Payable				₱220,000.00
Notes Payable				110,000.00
Current portion portion of long-term debt (Note 5)				55,000.00
Income Tax Payable				99,000.00
Interest Payable				11,000.00
<b>Total Current Liabilities</b>				<b>₱495,000.00</b>
<b>Non Current Liabilities</b>				
Long Term Debt (Note 5 )				<b>₱495,000.00</b>
<b>Owner's Equity</b>				
Honey Cervantes Capital				2,296,250.00
<b>Total Liabilities and Owners's Equity</b>				<b>₱3,286,250.00</b>

**Figure 2. Merchandising Going Concern Statement of Financial Position**

**Table 2 .Notes to Financial Statement Presentation**

Note 1: Composition of Cash and Cash Equivalent		Note 2: Composition of Inventories	
Cash in BPI	₱880,000	Raw Materials	₱66,000
Cash in BDO	₱220,000	Work in Progress	₱44,000
Petty Cash Fund	₱5,500	Finished Goods	₱110,000
Change Cash Fund	₱2,750		
Cash Equivalents	₱11,000		
<b>Total Cash and Cash Equivalents</b>	<b>₱1,119,250</b>	<b>Total Inventories</b>	<b>₱220,000</b>

Note 3. Composition of PPE				
	Land	Building & Plant	Fixtures	Total
Cost	₱110,000	₱220,000	₱110,000	₱440,000
Accumulated Depreciation	-	(22,000)	(11,000)	(33,000)
<b>Carrying Value</b>	<b>₱110,000</b>	<b>₱198,000</b>	<b>₱99,000</b>	<b>₱407,000</b>

Note 4 Intangible Assets			
	Patents	Trademarks	Total
Cost	₱110,000	₱110,000	₱220,000
Accumulated Depreciation	(11,000)	(11,000)	(22,000)
<b>Carrying Value</b>	<b>₱99,000</b>	<b>₱99,000</b>	<b>₱198,000</b>

Note 5. Long Term Debt Schedule	
Long Term Debt	
Non-Current Portion	₱550,000
Current Portion	(55,000)
<b>Total Long-term Debt</b>	<b>₱495,000</b>



### LET US PRACTICE

I. Classify whether the account element given is assets, liability or owners equity account. For asset and liability account categorize whether they are current or non current. Write your answer on a separate sheet of paper.

Account	Element	Classification
Accounts Payable		
Accounts Receivable		
Bond Payable		
Cash		
Cash in Bank		
Cash on Hand		
Inventories		
Interest Payable		
Tumangan's Capital		
Income tax payable		
Accrued Expense		
Prepaid Expense		
Unearned Revenue		
Notes payable		

Loan Payable current portion		
Loan Payable not yet payable		
Supplies		
Prepaid Insurance		
Property, Plant and Equipment		

II. Determining Balance in T-account .Copy and write your answer on separate sheet of paper.

**Problem 1.** The T- account below is for the account Prepaid Expense.

<b>Prepaid Expenses</b>			
March 1, 2019	₱ 150,600	July 31, 2019	₱ 45,760
August 15, 2019	₱ 95,450	December 31, 2019	₱ 90,000
<b>Balance</b>			

The balance of Prepaid Expenses on January 2019, is ₱245,675. What is the balance of Prepaid expenses as of December 31, 2019?

**Problem 2.** The T-account below is for the account Accrued Expenses.

<b>Accrued Expenses</b>			
March 1, 2019	₱ 150,630	July 31, 2019	₱54,760
August 15, 2019	₱95,170	December 31, 2019	₱ 60,000
		<b>Balance</b>	

The balance of Accrued Expenses on January 2019, is ₱245,675. What is the balance of Accrued expenses as of December 31, 2019?



### LET US REMEMBER

In presentation of Statement of Financial Position. Let us remember the following key points,

- **Statement of Financial Position (Balance Sheet)** is a formal statement showing the three elements comprising financial position namely **Asset, Liabilities and Equity**. It is previously referred as **Balance Sheet**. Investors, creditors, and statement user refer to this data to **evaluate entities liquidity, solvency, and financial flexibility**.



- **Asset** is presented in the Statement of Financial Position in the order of **Liquidity or nearness to cash.**
- **Liabilities** is presented in the Statement of Financial Position in the order of **Maturity or nearness to the date of payment.**
- **Owner's Equity is a residual interest** of owner in the assets of the entity. sometimes called capital or simply equity. **Equity = Asset - Liabilities.**
- **Notes to Financial Statement** is prepared as reference to the details of the total amount reported to the Statement of Financial Position.
- In preparation of **Statement of Financial Position**, it is important to remember the accounting equation. **Asset = Liabilities + Owner's Equity.**
- **Double rule** the final computed amount.



### LET US APPRECIATE

The objective of an audited financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects in accordance with the financial reporting framework or acceptable financial reporting standards. Looking at the Statement of Financial Position of E&E Trading as of December 31, 2019. Identify the errors committed by the clients in preparing the Statement of Financial position. Prepare your audit findings and suggest correction to ensure that the submitted report is in accordance with Generally Accepted Accounting Principle (GAAP) or Philippine Financial Reporting Standards (PFRS). Write your answer on separate sheet of paper.

E&E			
ASSETS			
Current Assets			
Inventories (Notes 2)			P450,000.00
Notes Receivables			45,000.00
Cash and Cash Equivalents (Notes 1)			2,000,000.00
Accounts Receivables			500,000.00
<b>Total Current Assets</b>			<b>P2,995,000.00</b>
Non-Current Assets			
Intangible Assets ( Note 4 )			P700,000.00
Property, Plant & Equipment (Note 3)			487,000.00
Investment Property			2,000,000.00
<b>Total Non-Current Assets</b>			<b>P3,187,000.00</b>
<b>Total Assets</b>			<b>P6,182,000.00</b>
LIABILITIES & OWNERS EQUITY			
Current Liabilities			
Interest Payable			P20,000.00
Current Portion of long-term debt (Note 5)			95,000.00
Accounts Payable			300,000.00
Notes Payable			110,000.00
Income Tax Payable			99,000.00
<b>Total Current Liabilities</b>			<b>P624,000.00</b>
Owners Equity			
Dominic , Capital			<b>P5,063,000.00</b>
Non-Current Liabilities			
Long-term Debt (Note 5)			<b>P 495,000.00</b>
<b>Total Liabilities and Owners' Equity</b>			<b>P6,182,000.00</b>



## LET US PRACTICE MORE

I. Develop a Statement of Financial Position. Below are the accounts of Ethan's Trading as of December 31, 2019. Answer the following questions and prepare the correct pro-forma for Statement of Financial Position of Ethan's Trading. Write your answer on a 12-column worksheet.

Accounts Payable	₱100,000.00
Accounts Receivable	₱140,000.00
Cash	₱1,000,000.00
Ethan's Capital	₱1,840,000.00
Inventories	₱450,000.00
Long-term Debt	₱300,000.00
Notes Payable	₱100,000.00
Notes Receivable	₱100,000.00
Property and Equipment	₱550,000.00
Supplies	₱100,000.00

- How much is the total current asset of the entity?
- How much is the total non-current asset of the entity?
- How much is the total current liability of the entity?
- How much is the total non-current liability of the entity?
- How much is the total asset of the entity?

II. Develop a Statement of Financial Position. Below are the accounts of Elijah's Trading as of December 31, 2019. Answer the following questions and prepare the correct pro-forma for Statement of Financial Position of Elijah's Trading. Write your answer on a 12-column worksheet.

Accounts Payable	₱400,000.00
Accounts Receivable	₱280,000.00
Cash	₱2,000,000.00
Elijah's Capital	₱2,480,000.00
Inventories	₱900,000.00
Notes Payable	₱1,400,000.00
Property and Equipment	₱1,100,000.00

- How much is the total current asset of the entity?
- How much is the total non-current asset of the entity?
- How much is the total current liability of the entity?
- How much is the total non-current liability of the entity?
- How much is the total asset of the entity?



## EVALUATION

Choose the correct letter of an answer. Write your answer on a 12-column worksheet.

1. Which of the following is **not** a component of financial statements?
  - a. Statement of financial position
  - b. Statement of changes in equity
  - c. Board of Directors Report
  - d. Notes to Financial Statement
2. Which of the following is **included** in a complete set of financial statements?
  - a. A statement by the board of directors of compliance with local legislation.
  - b. A statement of changes in equity.
  - c. A statement of financial position for the last 5 years.
  - d. Value added statement .
3. The major financial statements are \_\_\_\_\_, **except**.
  - a. Statement of financial position
  - b. Statement of changes in financial position
  - c. Statement of comprehensive income
  - d. Statement of changes in equity
4. The statement of financial position is useful for analyzing company's, **except**.
  - a. Liquidity
  - b. Solvency
  - c. Profitability
  - d. Financial Flexibility
5. The statement of financial position provides the following informations, **except**.
  - a. Computing rate of return
  - b. Evaluating Capital Structure
  - c. Determining increase in cash due to operation
  - d. Assessing liquidity and financial flexibility



**All Rights Reserved  
2020**

## **ACKNOWLEDGEMENT**

**CAROLINA S. VIOLETA, EdD**  
Schools Division Superintendent

**JERRY D. CRUZ, PhD, CESE**  
Asst. Schools Division Superintendent

**DOMINADOR M. CABRERA, PhD**  
Chief, Curriculum Implementation Division

**EDWARD C. JIMENEZ, PhD**  
Education Program Supervisor- LR Manager

**JOCELYN A. MANALAYSAY, PhD**  
Education Program Supervisor- Mathematics

**CHARMAINE S. TUMANGAN**  
Developer- Meycauayan National High School