

Small Business » Setting Up a New Business » Steps for Starting a Small Business »

Capital Spending of a Balance Sheet With Intangible Assets

by Julianne Russ



Financial statements say a lot about a small business. They reflect how profitable the company is, how liquid its assets are and how much it is spending on investments and obligations. Its capital investments reflect the company's short- and long-term goals. Investments in intangible assets, such as trademarks and patents, may not bring a return until a few years later.

Related Articles

- 1 Measure Business Performance With Financial Indicators
- 2 Why Is Accounting Important for the Start Up of a Business?
- 3 Characteristics and Financial Ratios of the Wholesale Retail Industry
- 4 Trade Working Capital Vs. Total Working Capital

13 Retirement Blunds

Ken Fisher's firm warns retire Blunders to Avoid. Fisher Investments

Capital Spending

Capital spending, also referred to as capital expenditures, is spending on assets for future benefits. When a small business is starting up, capital expenditures are high in purchases of tangible assets, such as property, furniture, inventory, tools and equipment. They also are high for intangible assets, including goodwill, copyrights, patents, franchising and licenses. A company may invest in additional assets as it grows and sees additional investment opportunities.

Financial Statements

Capital spending is always reported on the company's cash flow statement. If a company sells any fixed assets during the year, the sales amount is subtracted from the capital spending amount listed on the statement. The company's assets are listed on the balance sheet. If a cash flow statement is not available, capital spending can be calculated based on the financial information on the balance sheet. To calculate it, one should take the difference in total assets from the previous fiscal year to the current year and subtract the difference in total liabilities from the previous year to the current year.



Share Files Easily & Securely
Protect your existing storage, cloud & application investments

Intangible Assets

Intangible assets are not physical objects and may not have an easily identifiable value. Under the Internal Revenue Service code, a small business may have a number of intangible assets, including human workforce, worker knowledge, trademarks and certain company agreements. The cost of intangible assets can be deducted in a manner similar to depreciating tangible assets. The invested amount is amortized over 15 years by straight-line amortization, regardless of the actual life of an asset. The amortized amount also is reflected as a decrease in the asset's value on the company's balance sheet and as an expense amount on its income statement.

Capital Spending and Intangible Assets

Liquidity of assets is important to a small business. The level of liquidity reflects how well the business is prepared for a financial disaster. A highly liquid small business can sell some assets quickly to generate cash to meet short-term obligations or financial problems. Some tangible and intangible assets, while valuable, may not be very liquid. A company must maintain a good balance between high liquidity and putting some capital expenditures into profitable investment opportunities.



Share Files Easily & Securely!



Protect Existing Storage, Cloud & Application Investments

Start Free Trial

PC EDITOR'S CHOICE

EGNYTE

From The Web

Sponsored Links by Taboola



Before you renew Amazon Prime, read this

wikibuy



10 Best New Cars Unveiled at the 2018 LA Auto Show

kelly blue book



Cardiologist Explains: This Is What Happens When...

Gundry MD



Motley Fool CEO Makes Bold "Double Down" Prediction

The Motley Fool



U.S. Cardiologist: It's Like a Pressure Wash for...

Gundry MD Total Restore



Your Favorite 15 Songs And The Disturbing...

Definition

References (3)

- Corporate Finance: Ross et al.
- Starting or Buying a New Business: John W. Day, MBA
- CliffsNotes: Intangible Assets

About the Author

Julianne Russ has been a freelance writer since 2009. She specializes in articles about banking, management, foreign languages and education. She has a Bachelor of Arts in international management from Hamline University in St. Paul, Minn.

Photo Credits

- Hemera Technologies/AbleStock.com/Getty Images



Cite this Article

SPONSORED SEARCHES

capital expenditures intangible asset

capex for intangible assets

income statement template

calculate business worth

sample balance sheet



APPLY NOW

More Articles



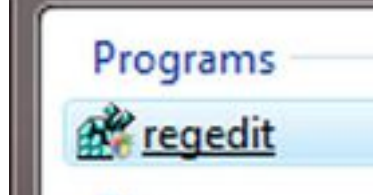
Change Your Company Name in Windows 7



What Expresses a Limitation of a Balance Sheet?



Is Low or High Better on Financial Ratios?



Remove Registry Entries for Msconfig Start up Programs

YOU COULD GET

MONEY FROM A SETTLEMENT

www.AirlineSettlement.com

SIGN UP

Also Viewed

- What Financial Management Problem Could a Quick Ratio Identify?
- Good Investments for Business
- How Do Pawn Shops Work?
- Examples of Company Expenses
- The Disadvantages of Lack of Working Capital
- What Does the Financial Term "Balance Sheet" Mean?
- What Makes a Balance Sheet Attractive?