

NAME: \_\_\_\_\_

# CHAPTER 5 SECTION 2

# PERSONAL

# BALANCE SHEET

PERSONAL FINANCIAL STATEMENTS CAN HELP YOU:

Determine what you own and what you owe

Measure your progress toward your financial goals

Track your financial activities

Organize information required to file your tax return or apply for credit

Personal Financial Statement- gives you information about your current financial position and presents a summary of income and spending. (pg. 126)

VOCAB!

Personal Balance Sheet- Also known as a NET WORTH STATEMENT, is a financial statement that shows what you own and what you owe. (pg. 126)

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Net Worth- the difference between the amount you own and the debts you owe. Net worth is a measure of your current financial position. (pg. 126)

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Assets- any item of value that you own, such as cash, real estate, personal possessions, and investments. (pg. 126)

Examples of assets in your life:

VOCAB!

Wealth- Property that has a money value or an exchangeable value. Your assets are an indication of your wealth.

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Liquid assets- cash and items that can be quickly converted to cash.

Examples:

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Real Estate- Land and any structures that are on it, such as a house or any other building.

Market Value: The price at which the property would sell.

Example: If you own a condominium with a market value of \$235,000 and a parcel of land valued at \$72,000, you list the total value ( $235,000 + 72,000$ ) which is \$307,000.

Liabilities- Debts that you owe.

Example: If you borrow \$300 to buy a new surfboard, you record the surfboard as an asset, but you also record the \$300 as a liability.

**Melanie and Isaiah Duncan**  
**Personal Balance Sheet as of October 31, 20--**

<b>ASSETS</b>		
<b>Liquid Assets</b>		
Checking account balance	\$1,800	
Savings account balance	\$5,500	
Total liquid assets		\$7,300
<b>Real Estate</b>		
Market value of house		\$128,000
<b>Personal Possessions</b>		
Car	\$8,500	
Furniture and appliances	\$5,000	
Stereo/TV	\$4,000	
Home computer	\$1,500	
Collectibles	\$750	
Total personal possessions		\$19,750
<b>Investment Assets</b>		
Retirement accounts	\$22,000	
Stock investments	\$3,500	
Total investment assets		\$25,500
<b>TOTAL ASSETS</b>		<b>\$180,550</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Medical bills	\$1,750	
Credit Card balances	\$4,600	
Total current liabilities		\$6,350
<b>Long-Term Liabilities</b>		
Mortgage	\$96,000	
Student loan	\$7,000	
Equity loan	\$8,500	
Car loan	\$2,750	
Total long-term liabilities		\$114,250
<b>TOTAL LIABILITIES</b>		<b>\$120,600</b>
<b>Net Worth (assets minus liabilities)</b>		<b>\$59,950</b>

# CASH FLOW STATEMENT

Cash Flow- refers to the movement (cash) in and out of your wallet and/or your bank account. (pg. 131)

Take-home pay- or net pay, is the amount of income left after taxes and other deductions are subtracted from your gross pay.

Example: If you earn \$1,000 a month and have deductions of \$300, your take-home pay will be \$700. (p. 132)

Discretionary income- the money you have left after paying for your essentials, such as rent, utilities, clothing, transportation, and medications. The money left after expenses can be spent at your discretion, or for whatever you want. (p. 132)

Surplus- extra money that you can spend or save, depending on your financial goals and values. (p. 132).

Deficit- This is when your cash flow is negative and you spend more than you received. (pg. 133)

**Amy Grossman**  
Cash Flow Statement for Month Ending July 31, 20--

Income-Cash Inflow	
Take-home pay	\$390
Gift	\$75
Investment income	\$45
Total Income	<u>\$510</u>
Expenses-Cash Outflow	
Fixed expenses	
Student Loans	\$80
Transportation	\$15
Variable expenses	
Recreation	\$100
Clothing	\$105
Dining out	\$75
Gifts	\$50
Total expenses	<u>\$425</u>
Net Cash Flow	\$85

**STEP 1**

**STEP 2**

**STEP 3**

## STEP 1- RECORD YOUR SOURCES OF INCOME

Record all of your sources of income. Calculate your take-home pay and any other sources of income from that month.

## STEP 2- RECORD YOUR EXPENSES

All of your expenses are either fixed or variable. Fixed expenses do not vary from month to month, such as rent, cable, Internet charges, etc. Variable expenses may change from month to month such as food, various utilities, clothing, medical costs, and recreation.

Your cash outflow is the total of your fixed and variable expenses.

## STEP 3-CALCULATE YOUR NET FLOW

To calculate your net cash flow, subtract your total expenses from your total income. If your net cash flow is positive, you have a surplus. If your cash flow is negative, you have a deficit.