



Personal Statement of Assets and Liabilities*

In order to help you relate financial accounting to your personal situation, I am asking you to sketch out your major personal assets and liabilities. *Assets* are what you *own* that you hope will benefit you in the future. *Liabilities* are what you *owe* to others. The difference between what you own and what you owe is commonly labeled your *net worth*, i.e.,

$$\begin{aligned}\text{Assets} &= \text{Liabilities} + \text{Net Worth, or} \\ \text{Assets} - \text{Liabilities} &= \text{Net Worth}\end{aligned}$$

This fundamental identity is the foundation of financial accounting. Everything we do will be derived from this simple relationship.

Presented on the following page is an outline of a personal balance sheet.[†] The form is similar to a ‘balance sheet’ or ‘statement of financial position’ prepared by a business.

Questions:

1. Take a few minutes and complete the statement of assets and liabilities for your own situation. This can be your family or you as an individual. In so doing, you will arrive at a rough estimate of your personal net worth. (You will not be required to divulge any information on your statement.) To save time,
 - Estimate those items that are difficult to value or difficult to locate, and
 - Omit unnecessary details. (We are only after the big picture at this point.)
2. In what ways does your personal balance sheet differ from a corporate balance sheet prepared according to generally accepted accounting procedures?
3. What important information appears to be omitted from your personal balance sheet?

* This is a revision of a case by the same name that originally appeared in [Financial Accounting: A Casebook](#) by G. Pfeiffer and R. Bowen. This revision, by Professor Robert M. Bowen of the University of Washington, is for discussion purposes only. You will not be required to divulge any personal information. Revised August 2000.

[†] You probably have already filled out a personal balance sheet if you have applied for a mortgage loan to finance the purchase of a home. The balance sheet portion of the standard supplement required as part of a residential loan application can be attached to the case.

Personal Statement of Assets and Liabilities for _____

As of _____

ASSETS: Description	\$ Amount
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

LIABILITIES: Description	\$ Amount
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

NET WORTH	\$ Amount
This is your personal net worth!	_____