CV Bookkeeping
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FREE GUIDE · UNDERSTANDING YOUR NUMBERS

Read your balance sheet: *do you need to?*

Short answer: yes, but not for long. Your profit and loss report shows how a month went. Your balance sheet shows where things stand on one day: what the business has, what it owes, and what's left that's yours. Ten minutes a month, or even a quarter, is plenty.

Birch Lane Yoga (sample) — Prepared by CV Bookkeeping

Balance Sheet

As of March 31

Name	Mar 31
ASSETS 1	
Chequing account	18,420.00
Tax savings account 2	6,500.00
Card payments on the way	640.00
Total Current Assets	**25,560.00**
Equipment, less amortization recorded 3	5,850.00
TOTAL ASSETS	31,410.00
LIABILITIES 4	
Credit card	1,240.00
Sales tax owing 5	1,820.00
Memberships paid in advance 6	4,350.00
Gift cards not yet redeemed	600.00
Total Current Liabilities	**8,010.00**
Equipment loan	6,200.00
TOTAL LIABILITIES	14,210.00
EQUITY 7	
Owner's equity, January 1	12,670.80
Net income, January to March	10,529.20
Owner draws, January to March	(6,000.00)
Total Equity	**17,200.00**
TOTAL LIABILITIES AND EQUITY	31,410.00

Sample figures for a made-up studio. Brackets are subtracted.

The short answer: on March 31 the studio owns 31,410.00 and owes 14,210.00, so 17,200.00 is the owner's, on paper.

1 One day, not a month

The heading says "as of" a date, because a balance sheet is a snapshot. It always balances: what you have (assets) equals what you owe (liabilities) plus what's yours (equity).

2 Cash, including cash that's spoken for

Bank accounts, plus card payments on their way to you. For a sole proprietor, the income tax you'll owe isn't on the balance sheet at all, so a separate tax savings account is your reminder.

3 Equipment: things that last

Bigger purchases like props, a sound system or a renovation. Their value goes down over time as your accountant claims them.

4 Liabilities: money that isn't yours to spend

"Current" means due within about a year. Compare them with what you have: 25,560.00 in the bank and on its way, against 8,010.00 due soon.

5 Sales tax owing

Sales tax (GST/HST, PST, or RST) you collected, less what you can claim back, held for the government. It should roughly match your next return.

6 Classes you still owe

When a member pays for a few months up front, you have the cash but still owe the classes. Many studios record that as a liability until those months are used. Same for session packages and prepaid treatments.

7 Equity: what's yours, on paper

For a sole proprietor: what you started the year with, plus profit, minus what you took out. Incorporated? You'll see share capital and retained earnings instead, and your accountant can walk you through them.

Want a walk-through of your own balance sheet?
Book a free 30-minute consult at cvbookkeeping.ca/consult/

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Why it matters when your P&L looks fine

- **Some cash is spoken for.** Sales tax you've collected and credit card balances are due soon.
- **Prepaid packages aren't earned yet.** Prepaid memberships, session packages and gift cards can put cash in the bank before you've done the work.
- **Loans and big purchases don't show on the P&L.** Loan principal and equipment live here instead.
- **Owner draws live here too.** For a sole proprietor, money you take out shows in equity, not as an expense.

Your *10-minute* balance sheet check

Once last month's books are done, run your balance sheet as of the last day of the month. You're just looking, not fixing.

1. **Check the date, and that it balances** — `1 min`
   Total assets should equal total liabilities and equity.

2. **Match bank, card and loan balances to your statements** — `3 min`
   Each balance should match the statement for the same day. If one doesn't, that's a question for your bookkeeper, not something to fix yourself.

3. **Work out what's really free to use** — `3 min`
   Cash and card payments on the way, minus current liabilities, minus your tax savings. Birch Lane: 25,560.00 – 8,010.00 – 6,500.00 = **11,050.00**.

4. **Look at what you owe clients** — `2 min`
   Unused packages, memberships and gift cards. Is the number growing? That's cash paid in advance for work you still need to do.

5. **Flag anything odd** — `1 min`
   A negative bank balance, a line called "Uncategorized" or "Opening Balance Equity," or an old balance that never changes. Circle it and ask your bookkeeper.

Total: 10 minutes

If you like a number: current assets ÷ current liabilities. Birch Lane: 25,560.00 ÷ 8,010.00 = about 3.19, so for every dollar due soon, the studio has about $3.19 on hand.

MY NOTES

Corrie's take: Your P&L tells you how the month went. Your balance sheet tells you what's already spoken for. I like to look at both before deciding what to pay myself.

Sample figures for a made-up business, for illustration only. General information, current as of September 2026; not tax or legal advice. How equipment, amortization and prepaid sales are recorded depends on your business, so talk to your accountant about your situation.

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