

<i>Liabilities</i>	
Accounts Payable	\$ 3 500
Business Bank Loan	156 000
Mortgage on Plant Property	375 000
Mortgage on House and Lot	260 000
Mortgage on Summer Cottage	92 300
Owed to Finance Co.—Business Equipment	136 522
Total Liabilities	
<i>Owner's Equity/Personal Net Worth</i>	

<i>Business</i>	<i>Personal</i>

Communicate It

On page 33, you read that in 2011 over 100 countries had adopted IFRS. Public Canadian companies were required to use IFRS, and private Canadian businesses could choose IFRS or ASPE. This information was accurate for 2011.

Using online research, rewrite the last four paragraphs of the *Accounting Standards* section on pages 33 to 34 from your vantage point in time. Your research might answer questions like the following:

1. How many countries currently use IFRS?
2. Is ASPE still used or was it just a temporary measure?
3. What percentage of Canadian businesses choose ASPE?
4. Was the adoption of IFRS a success?

You may ask and answer your own questions, as well.

A Spreadsheet for Balance Sheets

Balance sheets present the financial position of a person, business, or organization in a formal way. The presentation format is important, as is the accuracy of the numbers. To create effective presentations and ensure accuracy, accountants make great use of computer systems and business software.

Spreadsheets are software programs designed for a large assortment of mathematical tasks, including calculating, organizing, and presenting data. While there are a few different makers of spreadsheet software, Excel dominates the business marketplace. Regardless of the maker or version, most spreadsheets share a similar look and feel or **format**.

Figure 2.14, on the next page, shows an Excel file, which is also called a workbook or book, for short. The workbook currently has three worksheets, or sheets, for short. Worksheet tabs appear at the bottom left of Figure 2.14. Each worksheet is arranged in a gridlike pattern with multiple columns and rows. The active worksheet in Figure 2.14 is Sheet 3.

Letters of the alphabet identify the vertical columns. Numbers identify the horizontal rows. Each rectangle in the grid is known as a cell. **Cells** are the points of entry for most user data and formulas. They are formed by the intersection of the columns and the rows. Each cell has a cell address for identification, such as A1, A2, B5, C8, and so on. When you move the mouse, the icon that appears on your monitor is called the cell pointer. In Excel, the cell pointer is a white cross. When a cell is selected, it becomes an active cell. If you enter data in an active cell, the contents will appear in the formula bar.

Section 2.4

2.5

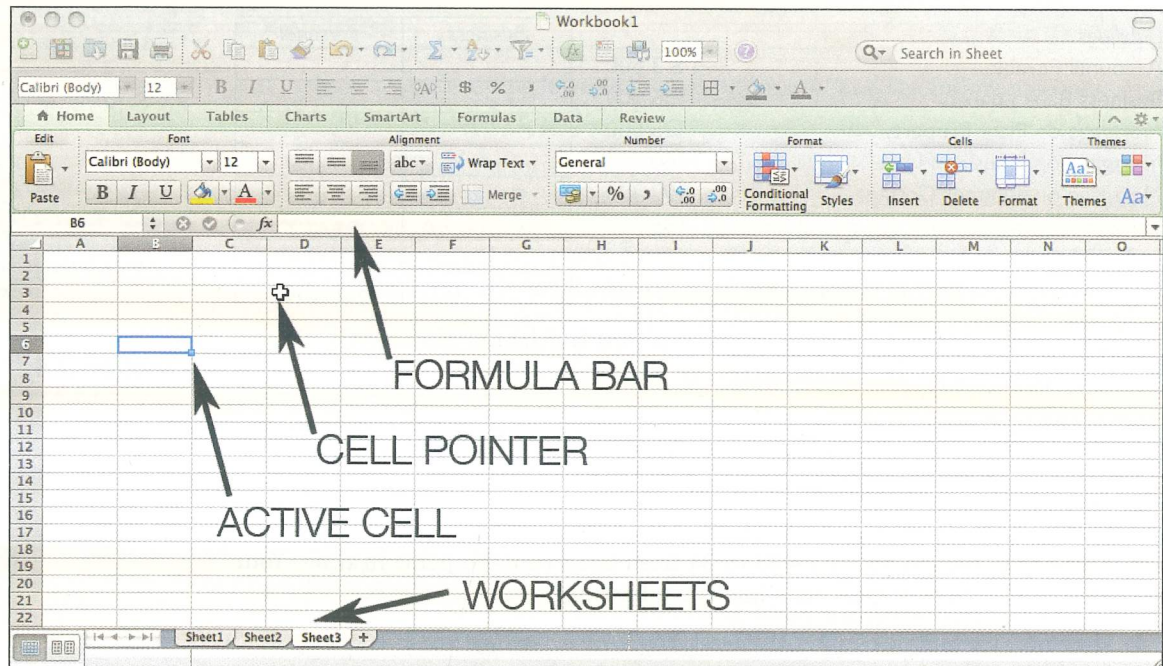


Figure 2.14

An Excel file

Preparing a Personal Balance Sheet

Amy Beck is a high school student who needs to prepare a personal balance sheet. You will now work along with the text to complete this task for her using a spreadsheet. If you do not have access to a computer at this time, continue to read so you can identify the important features of a spreadsheet.

Load spreadsheet software into your computer. Create a new spreadsheet file or workbook and save it right away. Use the name *AmyNovember*. Your software will likely add an extension to the file name, such as *.xls*. Remember to save your file often.

Notice that the grid is much larger than what you can see on your screen at any one time. You can navigate this large spreadsheet grid by using the mouse, arrow keys, Tab key, Enter key, scroll bars, and so on.

You will enter four different types of **cell contents** into the worksheet: labels, values, formulas, and functions.

Labels

Amy has made a list of what she owns and what she owes. In spreadsheet terms, words are called **labels**. Type the labels shown in Figure 2.15, on the next page, into the cell locations indicated. (Note: If you make a mistake as you type, use the Backspace key. If you notice a mistake after you have pressed the Enter key, go back to the cell and type the correct label.)

If a label is longer than the width of a cell, it will spill over into the next cell—as long as the next cell is blank.

	A	B	C	D	E
1			Amy Beck		
2			Balance Sheet		
3			November 30, 20-		
4					
5	Assets			Liabilities	
6	Cash			Owed to Alisha	
7	Clothes			Owed to Mom	
8	Music Collection			Total Liabilities	
9	Electronic Equipment				
10	Books			Owner's Equity	
11	Laptop			A. Beck, Capital	
12	Jewellery				
13	Miscellaneous				
14				Total Liabilities	
15	Total Assets			and Equity	
16					

Figure 2.15

The labels for Amy Beck's balance sheet

Values

Amy has estimated the original cost values of her possessions. These amounts, along with her liability figures, are shown in Figure 2.16. In spreadsheet terms, numerical amounts are referred to as **values**. Unlike labels, values can be manipulated mathematically.

Enter the values displayed in Figure 2.16 into your spreadsheet. Be sure to enter the information into the correct cells. For instance, in this spreadsheet, the first asset amount (for Cash) is \$1400. It must be entered at C6. Continue entering values into the correct cells, as shown in Figure 2.16.

	A	B	C	D	E	F
1			Amy Beck			
2			Balance Sheet			
3			November 30, 20-			
4						
5	Assets			Liabilities		
6	Cash		1400	Owed to Alisha		300
7	Clothes		1250	Owed to Mom		75
8	Music Collection		240	Total Liabilities		
9	Electronic Equipment		725			
10	Books		300	Owner's Equity		
11	Laptop		900	A. Beck, Capital		
12	Jewellery		375			
13	Miscellaneous		200			
14				Total Liabilities		
15	Total Assets			and Equity		
16						

Figure 2.16

The values for Amy Beck's balance sheet

Instead of typing cell references in formulas, try pointing to them with the mouse. For example, to calculate Total Liabilities, press the equal sign, click cell F6, press the plus sign, and click cell F7.

Formulas

Spreadsheet **formulas** perform mathematical operations. Formulas are entered into the **formula bar**. Cell contents may be added, subtracted, multiplied, and divided for a **cell display**. An example of a formula is $=A3+A4$. This formula instructs the spreadsheet to add the contents of A3 to the contents of A4.

The equals sign in $=A3+A4$ is a prefix symbol used by Excel that helps the spreadsheet identify the cell contents as a formula. If no prefix symbol were typed, the spreadsheet might interpret $A3+A4$ as a label. Different spreadsheets use different prefixes. The = and the + signs are common prefixes.

In Figure 2.17, the appearance of the spreadsheet has been changed in order to show you three formulas in column F. Enter these formulas now. Notice what happens in the worksheet area when you enter the formulas. Do not be concerned that two of the formulas will temporarily produce incorrect results. (Note: This textbook shows the formula prefix used by Excel, which is the equal sign.)

	A	B	C	D	E	F
1			Amy Beck			
2			Balance Sheet			
3			November 30, 20-			
4						
5	Assets			Liabilities		
6	Cash		1400	Owed to Alisha		300
7	Clothes		1250	Owed to Mom		75
8	Music Collection		240	Total Liabilities		$=F6+F7$
9	Electronic Equipment		725			
10	Books		300	Owner's Equity		
11	Laptop		900	A. Beck, Capital		$=C15-F8$
12	Jewellery		375			
13	Miscellaneous		200			
14				Total Liabilities		
15	Total Assets		$=sum(C6:C13)$	and Equity		$=F8+F11$
16						

Figure 2.17

The spreadsheet model, showing three formulas in column F and one function in column C

Functions

If you wanted to add Amy's assets using a formula, you could type in $=C6+C7+C8+C9+C10+C11+C12+C13$. But there is an easier way. You can use a function. **Functions** are detailed formulas built into spreadsheet software, but they are expressed in a way that makes them simple to use. To calculate the total of Amy's assets, you will enter a function at C15. The built-in function for adding things up is the SUM function.

Move the cell pointer to C15. Type in =SUM(C6:C13). Press Enter and the amount of the total assets will appear in cell C15.

All functions begin with a prefix (e.g., the equal sign) followed by the name of the function (e.g., sum). After the name of the function, brackets appear. The brackets enclose data that the function needs in its calculations. Usually, the data are cell references (e.g., C6:C13).

Since the SUM function is used frequently, you will likely find a shortcut button. In Excel, the shortcut button (Σ) is named AutoSum. When you click it, the software will enter the prefix and the name of the function. The software will also guess the range of cells to add up. If you do not like the guess made by the software, simply use your mouse to highlight a different range of cells. No typing is required when this shortcut method is used. Try it.

Changing Spreadsheet Amounts

A big advantage of spreadsheets over calculators is that formulas and functions can instantly update figures. For example, when she calculated her cash total, suppose Amy Beck forgot to subtract the \$300 she paid for dance lessons. The revised Cash amount should be \$1100, not \$1400. Enter the new total of 1100 at cell C6 and watch what happens.

In response to the one change in the cash amount, three other figures were updated automatically: Total Assets; A. Beck, Capital; and Total Liabilities and Equity. The reason these three cells change is that each contains either a function or a formula. In a more complex spreadsheet hundreds of figures can be updated in response to a change in one cell.

Review Questions

Section 2.5

1. In a spreadsheet, what is formed by the intersection of columns and rows?
2. How would you identify a cell in row 52 and in column C?
3. What is the spreadsheet term for words and titles?
4. Identify the differences between labels and values.
5. What are the contents of a cell and in what area of a spreadsheet are they seen?
6. Many spreadsheet programs require prefix symbols to be typed when entering formulas and functions. What would happen if you forgot to enter a prefix symbol when typing a sum function into one of these programs?
7. Explain how the contents of a cell could be different than what is displayed in the worksheet area for that cell.
8. What does =SUM(B3:B50) instruct a spreadsheet to do?
9. What does =A7-A5 instruct a spreadsheet to do?
10. Describe a main advantage of spreadsheets.

Section 2.5 ▶ Exercises

1. A. Load the spreadsheet model you created for Amy Beck (*AmyNovember*) into your computer.
- B. Choose File, Save As and change the name of the file to *AmyDecember*. (Note: Changing the name creates a second file on your disk, which ensures that data in the original *AmyNovember* file will not be changed.)
- C. Change the date at C3 to December 31, 20--.
- D. Because it is one month later, you also need to make other changes. The new values to be entered are:

Cash, 400; Clothes, 1425; Owed to Alisha, 80; and Owed to Mom, 40

- E. New totals are calculated as soon as you enter the above changes. Has Amy's financial position improved or worsened? Why do you think this might have happened?

2. You can change the appearance or format of a spreadsheet model. The improved format for the file *AmyDecember* is shown below, followed by a list describing the changes made.

Amy Beck					
Balance Sheet					
December 31, 20--					
Assets			Liabilities		
Cash	\$	400	Owed to Alisha	\$	80
Clothes		1,425	Owed to Mom		40
Music Collection		240	Total Liabilities	\$	120
Electronic Equipment		725			
Books		300	Owner's Equity		
Laptop		900	A. Beck, Capital		4,445
Jewellery		375			
Miscellaneous		200			
Total Assets	\$	4,565	Total Liabilities and Equity	\$	4,565

- The empty columns between the balance sheet labels and amounts were deleted (columns B and E from Figure 2.17).
- A column was inserted to the left of the list of assets. Then this new column was narrowed.
- Columns B and D were widened.
- The balance sheet heading was centred.
- Subheadings were set in boldface and centred.
- Amounts were formatted to show no decimal points. Dollar signs were added to some amounts.
- Single and double rules were applied.
- Cell gridlines were removed from view.
- The label, “Total Liabilities and Equity,” was put into one cell.
- A row was deleted.
- The font was changed to provide a more formal look.
- The labels in row 14 were set in boldface.

Spreadsheet programs usually provide multiple methods for completing any one task. For example, to make the changes above, you can use menu selections, your mouse’s right-click features, keyboard shortcuts, or the shortcut buttons shown across the top portion of the spreadsheet window.

Explore and use your spreadsheet software. Try to make all of the 12 changes noted above. Hints: To highlight an entire column, click its identifying letter at the top of the column (A, B, C, D, etc.). To select an entire row, click its number at the left of the spreadsheet window (1, 2, 3, 4, etc.). If you have questions about how to apply particular formats, try using your favourite search engine or the software’s Help menu to answer them.

Personalize It

◀ Section 2.5

Apply your knowledge of spreadsheets to create a personal balance sheet of your own. Use original cost values to estimate the value of your possessions. Your spreadsheet model should have at least one sum function. List at least two liabilities. (If you truly have no liabilities, make them up.) Format the spreadsheet model so that it is attractive. For an extra dimension beyond Amy Beck’s balance sheet, try using the balance sheet classifications you learned in Section 2.4 (Current Assets, Long-Term Assets, and so on).