Statement of Financial Position

Advanced Level
9-16-15

- TLW: Understand how a person’s values and habits with money can play an important factor in determining net worth. And then realize what sort of statements are needed to assist in certain situations.

- Activity: Cody’s scenario
Who is wealthier?

Ian

- Income: $30,000
- Net Worth: $50,000

Mitchell

- Income: $85,000
- Net Worth: $35,000

Let’s learn more to answer this question!
<table>
<thead>
<tr>
<th><strong>Net Worth</strong></th>
<th><strong>Wealth</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The measure of financial wealth</td>
<td>Indicates the monetary value of all possessions that a person or household owns, minus the total amounts owed to others</td>
</tr>
</tbody>
</table>
## Net Worth vs. Income

<table>
<thead>
<tr>
<th>Net Worth</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depends on how a person manages their income</td>
<td>Money received such as wages earned from working for pay</td>
</tr>
</tbody>
</table>

A person may have high income and low net worth or vice versa
How do you determine what your net worth is?

**Statement of Financial Position** - A financial statement that describes an individual or family’s financial condition on a specified date by showing assets, liabilities, and net worth.

- **Monetary assets**
  - Cash on hand
  - Value of checking account and savings account
  - Other:
    - Subtotal of monetary assets

- **Tangible Assets**
  - Market value of home
  - Market value of household furnishings
  - Market value of automobile
  - Market value of electronics
  - Market value of clothing
  - Other:
    - Subtotal of tangible assets

- **Investment Assets**
  - Value of investments
  - Other:
    - Subtotal of investment assets

**Total Assets**

**Liabilities**
- Home mortgage balance
- Installment loan balance for automobile
- Student loan balance
- Credit card balance
- Money owed to others
- Other:
  - Total Liabilities

**Net Worth** = **Total Assets** - **Total Liabilities**
Three components

1. Assets
2. Liabilities
3. Net Worth

<table>
<thead>
<tr>
<th>Statement of Financial Position for:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Date:</td>
<td></td>
</tr>
</tbody>
</table>

**Monetary assets**
- Cash on hand
- Value of checking account and savings account
- Other:

**Subtotal of monetary assets** $ 

**Tangible Assets**
- Market value of home
- Market value of household furnishings
- Market value of automobile
- Market value of electronics
- Market value of clothing
- Other:

**Subtotal of tangible assets** $ 

**Investment Assets**
- Value of investments
- Other:

**Subtotal of investment assets** $ 

**Total Assets** $ 

<table>
<thead>
<tr>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home mortgage balance</td>
</tr>
<tr>
<td>Installment loan balance for automobile</td>
</tr>
<tr>
<td>Student loan balance</td>
</tr>
<tr>
<td>Credit card balance</td>
</tr>
<tr>
<td>Money owed to others</td>
</tr>
</tbody>
</table>
- Other:

**Total Liabilities** $ 

**Net Worth = Total Assets - Total Liabilities** $