

# FINANCE AT A GLANCE

## How ASSETS are presented (continuation)

## Lesson 06

We shall move on to the remaining categories that are used to group assets for presentation, namely long-term investments, fixed assets, intangible assets, and other assets.

### 2. Long-term investments

Long-term investments (often referred to simply as “investments”) are held by the business for many years, and are not meant to be disposed (as in sold, or surrendered for cash) in the near future. This group of assets normally consists of the following types of investments:

- bonds, common stock, or long-term notes
- special funds (such as pension funds)
- property, plant and equipment NOT used in operations (such as real estate invested into in anticipation of rise in value)
- ownership (either partial or full) of other business entities such as subsidiaries and affiliates

### 3. Fixed assets

These are tangible productive assets not intended for sale. They are acquired for long-term use in the operations of a business. They are used over and over again to manufacture products, display and warehouse them, transport them, etc. Examples of fixed assets are land, buildings, machinery, furniture, tools, and certain resources such as mineral deposits and timberland.

Fixed assets are generally reported as net fixed assets. Net fixed assets is the value at original cost minus depreciation. Depreciation is the decline in value of fixed assets due to wear and tear from use and the passage of time. (The calculation of depreciation will be the subject of a full lesson.)

### 4. Intangible assets

These are assets that have value, but have no physical form. Their values are derived using various accounting conventions the details of which are too complex to be explained at this stage of our discussion. Examples of intangible assets are patents, copyrights, franchises, goodwill, trade names, etc.

### 5. Other assets

This is a broad category that serves as a catch-all group for all other assets that can not be put in any of the first four categories. Examples of assets that may be put here are long-term prepaid expenses and long-term receivables.

## The order of presentation of assets in the balance sheet.

In some countries, assets are presented in the balance sheet starting with the **most** liquid ones, as shown below:

ASSETS	
Cash	a
Accounts receivable	b
Inventory	c
Prepaid expenses	d
<b>Current Assets</b>	$e = a + b + c + d$
Investments	f
Net fixed assets	g
Intangible assets	h
Other assets	i
TOTAL ASSETS	$j = e + f + g + h + i$

There are other orders of presentation of assets in the balance sheet. In some countries, assets are presented starting with the **least** liquid ones. Still other countries use a format where the net of current assets and current liabilities is shown. This format requires an understanding of how liabilities are grouped.

We shall look into liabilities and equity in the coming lessons.

Until then, thank you for your continued interest in Finance At A Glance.

**Info Solutions International**