

BA 211: Financial Accounting

The basic accounting equation:

Assets = Liabilities + Shareholders' Equity → must always balance.

General Format of the 4 key financial statements

Single Step Income Statement

XYZ Corp.
Income Statement
For the year ending ...

Revenues
 Revenues
Total Revenues
Expenses
 Supplies
 Wages
 Rent
 Utilities
 Insurance
 Advertisement
 Income taxes
Less: Total Expenses
Net Income (loss)

Multiple Step Income Statement

Sales Revenue
Less: Cost of Goods Sold
Gross Profit
Operating Expenses:
 Selling and General
 Advertising Expense
 Commissions Expense
Less: Total Operating Expenses
Operating Income (Earnings before Interest and Tax)
Add: Non-operating revenues
 Interest Revenues
 Gain on Sale of Investments
Less: Non-operating expenses
 Interest Expenses
 Loss from Lawsuits
Total Earnings before Tax
Less: Tax Expense
Net Income (loss)

Statement of Retained Earnings: Reports the way the net income and the distribution of dividends affected the financial position of the company during a specific year.

Statement of Retained Earnings

Retained Earnings, beginning of month
 Add: Net Income
 Less: Dividends (if any)
 Retained Earnings, end of month

Balance Sheet

ABC Corp.
 Balance Sheet
 December 31, 2011

<p>Assets</p> <p>Current Assets</p> <p style="padding-left: 20px;">Cash</p> <p style="padding-left: 20px;">Accounts Receivable</p> <p style="padding-left: 20px;">Inventory</p> <p style="padding-left: 20px;">Pre-paid items</p> <p>Total Current Assets</p> <p>Property, plant and Equipment</p> <p style="padding-left: 20px;">Furniture</p> <p style="padding-left: 20px;">Equipment</p> <p style="padding-left: 20px;">Lease</p> <p>Total PP&E</p> <p>Intangibles</p> <p style="padding-left: 20px;">Franchise fee</p> <p style="padding-left: 20px;">Corporate charter</p> <p>Total Intangibles</p> <p>Total Assets = (Current + LT)</p>	<p>Liabilities</p> <p>Current Liabilities</p> <p style="padding-left: 20px;">Accounts Payable</p> <p style="padding-left: 20px;">Taxes Payable</p> <p style="padding-left: 20px;">Wages Payable</p> <p>Total Current Liabilities</p> <p>Long term Liabilities</p> <p style="padding-left: 20px;">Notes payables</p> <p style="padding-left: 20px;">Mortgage payable</p> <p style="padding-left: 20px;">Deferred Taxes</p> <p style="padding-left: 20px;">Bonds Payable</p> <p>Total Long term Liabilities</p> <p>Total Liabilities = (Current + LT)</p> <p>ADD:</p> <p>Owner's Equity</p> <p style="padding-left: 20px;">Common Stock</p> <p style="padding-left: 20px;">Retained Earnings</p> <p>Total Owner's Equity</p>
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Total Assets = Total Liabilities + Owner's Equity

Statement of Cash Flows: Reports of the operating investing and financing activities that caused increases and decreases in cash during that period.

Statement of Cash Flows

Cash Flows from Operating Activities

Inflows from customers

Less: Outflows to suppliers and employees

Cash Provided by Operating Activities (1)

Cash Flows from investing Activities

Cash used to buy equipment

Cash Provided in Investing Activities (2)

Cash Flows from Financing Activities

Contributed by stockholders

Dividends paid to stockholders

Borrowed from the bank

Cash Flows by Financing Activities (3)

Change in Cash (Sum 1+2+3)

Beginning Cash¹ (0, unless stated otherwise)

Ending Cash Balance

¹Ending cash balance from last year is the beginning for this year
Source: created by Lana Maani, LC tutor, winter 2015