

Practice T3_3 (Financial Statements)

BASIC CONCEPTS TO UNDERSTAND AND REMEMBER:

COLLECTION: Cash inflow during the period under analysis (regardless its origin)

PAYMENT: Cash outflow during the period under analysis (regardless its origin)

INVESTMENT: Resources acquired and used (NOT CONSUMED) during a long period of time. Examples: Land, equipment information systems,...

INCOME: Increase of the VALUE of the company (main source is the sales of goods or services they produce or deliver (regardless the payment conditions)

EXPENSE: Decrease in the value of the company. It is the monetary valuation of the resources consumed to generate the income during a certain period of time.

Examples of expenses: COGS (Cos Of Goods Sold), salaries, rentals, electricity, depreciation of the equipment,...

BASIC STRUCTURE OF THE INCOME STATEMENT

INCOME (positive)

EXPENSES (negative)

COGS

Salaries.....

Rentals.....

Depreciation.....

Interests if the period.....

Corporate tax

EBITDA (Earnings Before Interests, Depreciation /Amortization) = INCOME – EXPENSES 1

EBIT (Earnings Before Interests) = EBITDA - DEPRECIATION

NET INCOME BEFORE TAX = EBIT - INTERESTS

NET INCOME of the period

BASIC STRUCTURE OF THE BALANCE SHEET

ASSETS			LIABILITIES & OWNER'S EQUITY		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	aaa		Accounts payable	mmm	
Money on its bank account	bbb		Short-term loan debts	nnn	
Accounts receivable	ccc				
Stock of Raw materials	ddd				
NON-CURRENT ASSETS			NON-CURRENT LIABILITIES		
Furniture	eee		Long-term loan debts	ppp	
(Furniture, Trucks, Equipment) - Depreciation	fff				
Patents & licences - depreciation	ggg				
			OWNER'S EQUITY		
			Paid-in capital	qqq	
			Capital increase	rrr	
			Retained earnings accumulated	sss	
TOTAL ASSETS		XXXX	TOTAL OWNER'S EQUITY & LIABILITIES		XXXX