

ACC1701XA
AY 2025/2026 SEMESTER 1

POST LECTURE SUPPLEMENT : LECTURE 01

Do you speak Accounting?

Do you speak Accounting?



- Go to Canvas > Modules > Week 1
- Open the file related to FT Article – Berkshire Hathaway.
- Spend 2-3 minutes to quickly read through the article.
- Drop a quick question in the poll on one thing in the article you are unsure about.
 - E.g. What is a writedown? Is operating earnings same net income?
 - Why is Warren Buffett eating an ice cream (not a valid question!)
- You can upvote your classmates' questions as well.

Summary of Questions from the Berkshire Hathaway Article:

- Fair Value vs Carrying Value
 - What is fair value? What is carrying value?
 - What is underlying value?
- Writedown
 - What is a writedown? What triggers it?
 - When and why would companies record a writedown?
 - What is the strategy behind impairment timing and delays?
 - "Berkshire said it had slashed the carrying value of its 27.4 per cent stake in Kraft Heinz to \$8.4bn" why was the carrying value slashed?
- Company Performance & Strategic Decisions
 - What are cash balances?
 - Why is Berkshire's cash balance so high?
 - What is profitability at its core insurance unit?
 - What caused the company's downfall?
 - Why did Berkshire's cash and short term treasury fall by \$3.6bn but the underlying value of cash pile increased by \$11bn?
 - What other performance metrics are there other than operating earnings?
 - What is operating earnings?

- How is the company break-up a potential solution to this?
- What is "non-insurance" business?
- Capital market & Investment
 - What is a stock portfolio?
 - What is a short-term Treasury position?
 - How is accounting related to stocks?
 - What are high-vote class A share?
 - What is the S&P 500 index?
 - If big players have been selling their shares for a while now, should we sell our shares too?

Let's keep these questions and revisit them later on in the semester once we have learnt more about the language of business – accounting! 😊

Amazon's Profit & Loss

Let's Learn the Accounting Language

- Accounting helps us to better understand the business world!

US\$638B revenues in 2024!

- World's 3rd Richest Man (Forbes 2025) : Jeff Bezos.

- How much money does Amazon make?

Accounting can give you the answer!



**US\$59B net income in 2024,
US\$30B net income in 2023.
BUT, US\$2.7B net loss in 2022. Why??**

| | Year Ended December 31, | | |
|---|-------------------------|------------------|------------------|
| | 2022 | 2023 | 2024 |
| Net product sales | \$ 242,901 | \$ 255,887 | \$ 272,311 |
| Net service sales | 271,082 | 318,898 | 365,648 |
| Total net sales | 513,983 | 574,785 | 637,959 |
| Operating expenses: | | | |
| Cost of sales | 288,831 | 304,739 | 326,288 |
| Fulfillment | 84,299 | 90,619 | 98,505 |
| Technology and infrastructure | 73,213 | 85,622 | 88,544 |
| Sales and marketing | 42,238 | 44,370 | 43,907 |
| General and administrative | 11,891 | 11,816 | 11,359 |
| Other operating expense (income), net | 1,263 | 767 | 763 |
| Total operating expenses | 501,735 | 537,933 | 569,366 |
| Operating income | 12,248 | 36,852 | 68,593 |
| Interest income | 989 | 2,949 | 4,677 |
| Interest expense | (2,367) | (3,182) | (2,406) |
| Other income (expense), net | (16,806) | 938 | (2,250) |
| Total non-operating income (expense) | (18,184) | 705 | 21 |
| Income (loss) before income taxes | (5,936) | 37,557 | 68,614 |
| Benefit (provision) for income taxes | 3,217 | (7,120) | (9,265) |
| Equity-method investment activity, net of tax | (3) | (12) | (101) |
| Net income (loss) | \$ (2,722) | \$ 30,425 | \$ 59,248 |

Accounting again gives you the answer!

Digging into Amazon FS: Why the \$2.7B Net Loss in 2022?

Other Income (Expense), Net

Other income (expense), net, is as follows (in millions):

| | Year Ended December 31, | | |
|--|-------------------------|--------|------------|
| | 2022 | 2023 | 2024 |
| Marketable equity securities valuation gains (losses) | \$ (13,870) | \$ 984 | \$ (1,278) |
| Equity warrant valuation gains (losses) | (2,132) | 26 | (192) |
| Upward adjustments relating to equity investments in private companies | 76 | 40 | 49 |
| Foreign currency gains (losses) | (340) | 65 | (408) |
| Other, net | (540) | (177) | (421) |
| Total other income (expense), net | \$ (16,806) | \$ 938 | \$ (2,250) |

Included in other income (expense), net in 2022, 2023, and 2024 is a marketable equity securities valuation gain (loss) of \$(12.7) billion, \$797 million, and \$(1.6) billion from our equity investment in Rivian Automotive, Inc. ("Rivian"). Our investment in Rivian's preferred stock was accounted for at cost, with adjustments for observable changes in prices or impairments, prior to Rivian's initial public offering in November 2021, which resulted in the conversion of our preferred stock to Class A common stock. As of December 31, 2024, we held 158 million shares of Rivian's Class A common stock, representing an approximate 14% ownership interest, and an approximate 13% voting interest. We determined that we have the ability to exercise significant influence over Rivian through our equity investment, our commercial arrangement for the purchase of electric vehicles and jointly-owned intellectual property, and one of our employees serving on Rivian's board of directors. We elected the fair value option to account for our equity investment in Rivian, which is included in "Marketable securities" on our consolidated balance sheets, and had a fair value of \$3.7 billion and \$2.1 billion as of December 31, 2023 and December 31, 2024. The investment was subject to regulatory sales restrictions resulting in a discount for lack of marketability of approximately \$800 million as of December 31, 2021, which expired in Q1 2022.

In 2022, Amazon had to book a **\$12.7B** loss on its investment in Rivian (an electric vehicle startup), due to changes in the fair value of the investment. Over the last 4 years, it had to book the following gain/loss relating to its Rivian investment:

- \$11.8B GAIN in 2021
- \$12.7B LOSS in 2022
- \$797M GAIN in 2023
- \$1.6B LOSS in 2024

PolEV In-class Quick Quiz:

- 1) If NThropic Inc. has total assets of \$100,000, what is the owners' claim on the assets if it also has liabilities of \$40,000?

Answer: \$60,000

Explanation:

Assets = Liabilities + Equity

➔ 100,000 = 40,000 + Equity

➔ Equity = 60,000

- 2) An employee of NThropic sues the company and seeks \$15k in alleged losses due to workplace accident. Likelihood of compensation for workplace accidents is very high based on past records. Is this potential damage a liability?

Answer: Yes, it is a liability.

Explanation: Refer back to the definition of liability: The likelihood of NThropic paying this loss to the worker is high, it is therefore a current obligation resulting from a past event (workplace accident lawsuit) which it has to fulfill in the future. Therefore, it is a liability. This is what we call a contingent liability, and we will cover contingent liabilities in Lecture 09.

- 3) Which of these are income to NThropic Inc.?
 - a. Bought a property worth \$10 million
 - b. Received a gift of an office building worth \$10 million
 - c. Received \$10 million cash from the bank for a loan
 - d. None of the above

Answer: (b)

Explanation: Receiving a gift results in an enhancement of asset and an increase in equity, therefore it is considered income.

- 4) Which of these are expenses to NThropic Inc.?
- Company paid \$10 million to the bank for repayment of loan principal
 - Company paid \$10 million to the Olymipcs for advertisement
 - Company paid \$10 million to its shareholder to buy back their shares
 - None of the above

Answer: (b)

Explanation: Paying for advertising is an operating expense. It is a cost that the company incur as part of its business operations.

The others are not expenses:

(a) Prepaying loan principal is not an expense. It is settlement on an existing obligation, which is a liability, and does not affect equity.

(c) When companies buy back shares, even though this is an equity transaction, share buyback is not an expense. This is what we call Treasury Shares, which we will cover in greater details when we cover the topic of Equity in Lecture 11.

In-class Group Activity – SINGTEL:

In class Group Activity Exploring a Real Company Financial Statement: Singtel

- **Download the “Singtel 2025 Financial Statements and Notes” from Canvas.**
- **Get into groups of 3-5 and answer the following questions on Singtel.**
 - (1) When is the end of Singtel’s business year in 2025?
 - (2) Who is Singtel’s external auditor? How long did it take from the end of Singtel’s business year until the audit report was issued?
 - (3) What is the amount of Singtel’s total assets at the end of its 2025 business year?
 - (4) What is the amount of Singtel’s total liabilities at the end of its 2025 business year?
 - (5) Are Singtel’s assets financed more through liabilities or equities?
 - (6) What is Singtel’s largest reported current liability in 2025 and what is the amount?
 - (7) What was Singtel’s net income for the 2025 business year?
 - (8) Compare the 2024 and 2025 net income. Why do you think there was a huge difference? Can you identify which item caused the difference and what was the main cause?
 - (9) How much cash did Singtel generate in 2025 from its operating activities?
 - (10) Did Singtel pay out any dividends in cash in 2025? If so, how much?



In class Group Activity Singtel

- The Annual Report of a company contains more than just financial statements: [2025 Annual Report](#)
 - Annual reports of public listed companies can generally be found in their website under “Investor Relations”

- (1) When is the end of Singtel’s business year in 2025?
→ **31st March 2025**
- (2) Who is Singtel’s external auditor? How long did it take from the end of Singtel’s business year until the audit report was issued?
→ **KPMG LLP.**
→ **The audit report by KPMG was issued on 21st May 2025, so it took 51 days.**
- (3) What is the amount of Singtel’s total assets at the end of its 2025 business year?
→ **S\$46,783.3 million (Statement of Financial Position)**
- (4) What is the amount of Singtel’s total liabilities at the end of its 2025 business year?
→ **S\$20,826.9 million (Statement of Financial Position)**
- (5) Are Singtel’s assets financed more through liabilities or equities?
→ **Assets are financed through 45% debt and 55% equity.**



In class Group Activity Singtel (continued)

- (6) What is Singtel’s largest reported current liability in 2025 and what is the amount?
→ **Trade and other payables \$5,181.8 million (Statement of Financial Position)**
- (7) What was Singtel’s net income for the 2025 business year?
→ **Profit after tax (Net Income) \$4,028.4 million (Income Statement)**
- (8) Compare the 2024 and 2025 net income. Why do you think there was a huge difference? Can you identify which item caused the difference and what was the main cause?
→ **2024 net income \$803.5 million vs 2025 net income \$4,028.4 : difference of \$3,224.9 million!**
→ **Exceptional Items – Impairment of Goodwill**
- (9) How much cash did Singtel generate in 2025 from its operating activities?
→ **Net cash from operating activities: S\$4,609.2 million (Statement of Cash Flows)**
- (10) Did Singtel pay out any dividends in cash in 2025? If so, how much?
→ **Yes, final + interim dividends = S\$2,774.2 million (Statement of Cash Flows)**

