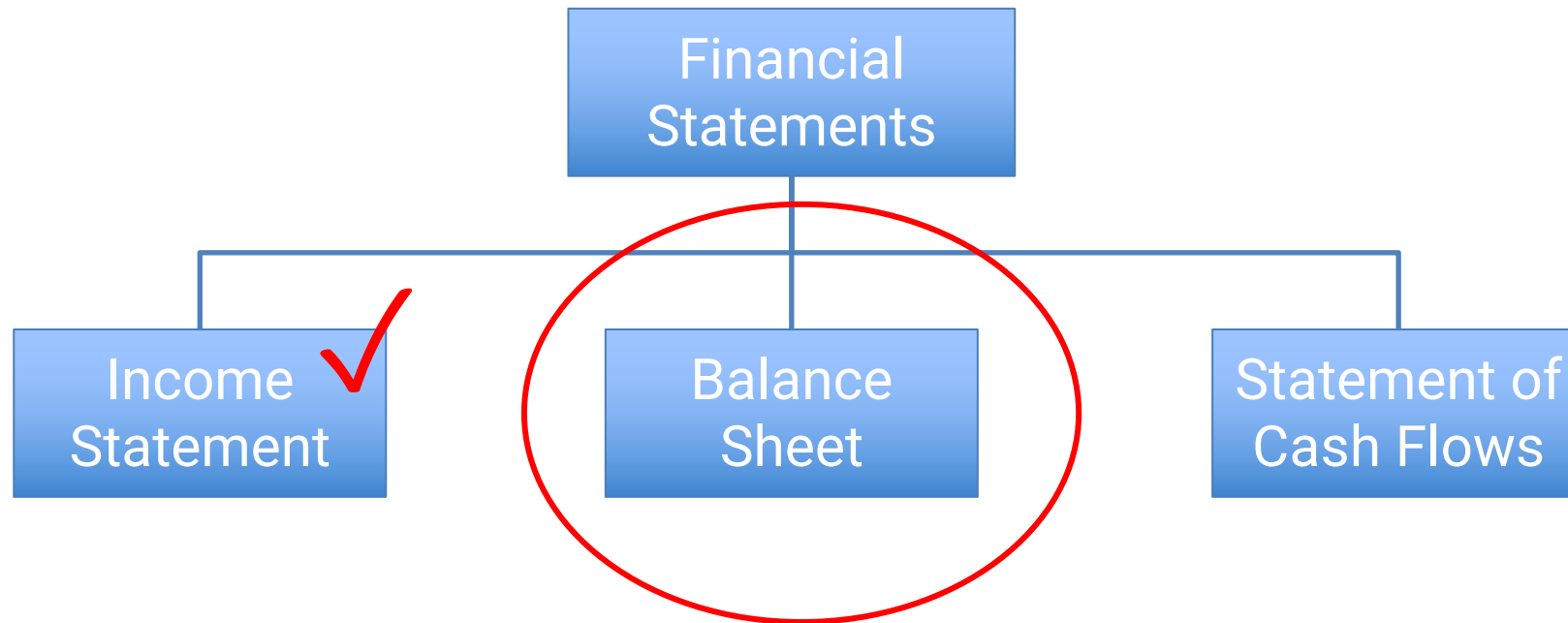


The Statement of Cash Flows



The Balance Sheet reflects the company's net worth at a specific point in time.

Your Own Balance Sheet

Example: What is Your Net Worth?

What You Own:

Car:	\$ 10,000
Condo:	\$ 200,000
Cash:	\$ 5,000
<u>Stock:</u>	<u>\$ 40,000</u>
Total:	\$ 255,000

What You Owe (Debt):

Car Loan:	\$ 5,000
<u>Mortgage:</u>	<u>\$ 150,000</u>
Total:	\$ 155,000

Your Net Worth = \$255,000 - \$155,000

Your Net Worth = \$100,000

Your Own Balance Sheet

Example: What is Your Net Worth?

	<u>What You Own:</u>	<u>What You Owe (Debt):</u>	
<i>Your Assets</i>	Car: \$ 10,000	Car Loan: \$ 5,000	<i>Your Liabilities</i>
	Condo: \$ 200,000	<u>Mortgage: \$ 150,000</u>	
	Cash: \$ 5,000	Total: \$ 155,000	
	<u>Stock: \$ 40,000</u>		
	Total: \$ 255,000		

Your Net Worth = \$255,000 - \$155,000

Your Net Worth = \$100,000

*Your "Shareholder
Equity"*

The Balance Sheet

The Balance Sheet = snapshot of a company's net worth at a specific point in time (e.g., on September 23).

Recall our Net Worth Assessment:

(What you own) – (What you owe) = Net Worth

Assets

Liabilities

Shareholder Equity

Assets: things the company owns that has value: physical things such as cash, inventory, plant and equipment as well as the intangible things, such as intellectual property.

Liabilities: debt, what the company owes everyone else.

Shareholders Equity: all the investments made in the company + most of the profits (or losses) made by the company.

The Balance Sheet

ASSETS

- Current Assets
 - Cash
 - Short Term Investments
 - Accounts Receivable
 - Inventories
- Property, Plant & Equipment
 - Land
 - Buildings
 - Accumulated Depreciation
- Other Assets

LIABILITIES

- Current Liabilities
 - Current Portion of Long-Term Debt
 - Accounts Payable
 - Accrued Payroll & Other Expenses
- Long-Term Debt

SHAREHOLDER EQUITY

- Paid-In Capital
- Retained Earnings

The Balance Sheet

See “Balance Sheet Terminology”
in Course Resources.

ASSETS

- Current Assets
 - Cash
 - Short Term Investments
 - Accounts Receivable
 - Inventories
- Property, Plant & Equipment
 - Land
 - Buildings
 - Equipment
 - Accumulated Depreciation
- Other Assets

Assets that can be converted
to cash within 1 year

Also known as Fixed Assets

Everything else...

The Balance Sheet

ASSETS

- Current Assets
 - Cash
 - Short Term Investments
 - Accounts Receivable
 - Inventories
- Property, Plant & Equipment
 - Land
 - Buildings
 - Equipment
 - Accumulated Depreciation
- Other Assets

Your company sells products to its customers, usually on credit.

Your customers have 30 days to pay the bill. ("Net 30")

The accountants know the cash is coming, so they need some entry in the accounting books to reflect this.

=> Accounts Receivable ("AR")

The Balance Sheet

ASSETS

- Current Assets
 - Cash
 - Short Term Investments
 - Accounts Receivable
 - Inventories
- Property, Plant & Equipment
 - Land
 - Buildings
 - Equipment
 - Accumulated Depreciation
- Other Assets

Represents the current value of the company's fixed assets.

=

Land, Buildings & Equipment value based on its original cost when the company bought it (its "historical cost").

-

Accumulated Depreciation: the total value the assets have lost since acquisition.

The Balance Sheet

LIABILITIES

- Current Liabilities
 - Current Portion of Long-Term Debt
 - Accounts Payable
 - Accrued Payroll & Other Expenses
- Long-Term Debt

Liabilities that must be paid within 1 year

Loans and obligations longer than 1 year

The Balance Sheet

LIABILITIES

- Current Liabilities
 - Current Portion of Long-Term Debt
 - Accounts Payable
 - Accrued Payroll & Other Expenses
- Long-Term Debt

Your company buys raw materials from its suppliers, on credit.

You have 30 days to pay the bill. ("Net 30")

The accountants know the cash is going out, so they need some entry in the accounting books to reflect this.

=> Accounts Payable ("AP")

Net Working Capital

$\text{Net Working Capital} = \text{Current Assets} - \text{Current Liabilities}$

Current Assets: cash available over the next 12 months

Current Liabilities: cash paid out over the next 12 months

A Good Thing: More cash coming in than going out!

Net Working Capital (NWC): a positive value (hopefully!) that indicates how much additional cash (capital) is available, just in case...

In other words, having “sufficient net working capital” means you have enough to keep all the bills paid and have a cushion for any unexpected costs that might pop up!.

The Balance Sheet

SHAREHOLDER EQUITY

- Paid-In Capital
- Retained Earnings



The cumulative value of how much investors put into the company.



The cumulative value of all the profits “retained” by the company (after dividends are distributed).

Main Takeaways...

- The Balance Sheet captures the company's net worth at a specific point in time.
- Net worth, known as Shareholder Equity, is defined as the company's Assets less its Liabilities.
- Net Working Capital, NWC, is the difference between Current Assets and Current Liabilities, and reflects the company's ability to pay its bills.

The Balance Sheet summarizes what the company owns (assets), what it owes (liabilities), and the difference between the two (shareholder equity).

Next Time...

The Statement of Cash Flows

Financial Statements
GROUP CASH FLOW STATEMENT

Year ended 31 December

Cash generated from continuing operations	2011	2010
Income taxes paid	3,229	3,605
Petroleum revenue tax paid	(430)	(332)
Interest received	(262)	(192)
Interest paid	20	6
Payments relating to exceptional charges	(5)	(1)
Net cash flow from continuing operating activities	2,360	(266)
Net cash flow from discontinued operating activities	(23)	2,820
Net cash flow from operating activities	2,337	2,554
Purchase of businesses net of cash and cash equivalents disposed of	(394)	155
Purchase of intangible assets	78	30
Purchase of property, plant and equipment and intangible assets	(299)	(572)
Disposal of property, plant and equipment and associates	(765)	(1,795)
Investments in joint ventures and associates	147	14
Dividends received from joint ventures and associates	10	(291)
Repayments of loans to, and disposal of investments in, joint ventures and associates	48	110
Interest received	(1,399)	42
Interest paid	(1)	33
Net cash flow from continuing investing activities	(1,400)	26
Net cash flow from discontinued investing activities	(3)	(2,558)
Net cash flow from investing activities	(1,403)	(2,558)
Issue of ordinary share capital	1,196	1,196
Purchase of own shares	(5)	(5)
Financing interest received	(815)	190
Financing interest paid	452	479
Cash inflow from additional debt	931	931
Cash outflow from payment of capital element of finance leases	518	518
Cash outflow from repayment of other debt	(39)	(39)
Cash outflow from settlement of derivative contracts related to borrowings	479	479
Cash outflow from settlement of debt	931	931
Net cash flow from continuing financing activities	931	931
Net cash flow from discontinued financing activities	12(b)	12(b)
Net cash flow from financing activities	931	931
Net increase in cash and cash equivalents	931	931
Cash and cash equivalents at 1 January	518	518
Effect of foreign exchange rate changes	(39)	(39)
Cash and cash equivalents at 31 December	931	931
Included in the following lines of the Balance Sheet:		
Cash and cash equivalents		
Derivatives, loans and other borrowings		

Credits & References

Slide 12: Cash flow statement with pen by mohsinjamil, Adobe Stock (58958725.jpeg).