

1. Balance Sheet (Stato Patrimoniale)

Reference: Art. 2424 of the Civil Code.

It represents the static situation of the company at a specific moment (usually 31/12).

Total Assets must always equal Total Liabilities.

| Assets (Attivo) | Liabilities (Passivo) |
|--------------------------|---|
| A) Due from Shareholders | A) Net Capital (Equity) |
| B) Fixed Assets | B) Provisions for risks and charges |
| C) Current Assets | C) Employee Termination Indemnity (TFR) |
| D) Accruals (Positive) | D) Debts |
| | E) Accruals (Negative) |
| TOTAL ASSETS | TOTAL LIABILITIES |

Detailed Analysis of Assets (Attivo)

Assets are positive values for the company (what we own or are owed).

1. Due from Shareholders (Crediti verso soci):

- Money that shareholders promised to pay but haven't paid yet (subscribed capital not yet paid).
- You always put here: **Financial Credits**

2. Fixed Assets (Immobilizzazioni):

- Assets intended to be used for a long time (more than 1 year).
- **Tangible:** Physical things (Machinery, buildings, equipment, land).
- **Intangible:** Non-physical things (Software, licenses, patents, R&D costs).
- **Financial:** Long-term investments.
 - *Explanation:* When the company owns shares of another company not to sell them immediately for profit, but to control that company or have a strategic partnership.
Also includes long-term loans granted to others.

3. Current Assets (Attivo Circolante):

- Assets that stay in the company for less than 1 year.
- **Inventory (Rimanenze):** Raw materials, semi-finished products, or final products ready to be sold.
- **Receivables (Crediti):** Money owed to us by customers (credits).

- **Liquid Funds:** Cash in hand, bank account balance.

4. Positive Accruals (Ratei e Risconti Attivi):

- Costs or revenues that span across two fiscal years (accounting adjustments).

Detailed Analysis of Liabilities (Passivo)

Liabilities are the sources of funding (negative values or debts).

1. Net Capital / Equity (Patrimonio Netto):

- **Share Capital:** The money put by owners/shareholders.
- **Reserves:**
 - *Legal Reserve:* By law, a percentage of the annual profit must be put aside here.
 - *Extraordinary Reserve:* Money put aside voluntarily.
- **Profit/Loss:** The result of the current year (before being distributed or put in reserves).

2. Provisions for risks and charges (Fondi rischi e oneri):

- Money put aside ("a fund") to cover potential future debts or risks that are certain or likely to happen, but we don't know the exact amount or date yet.

3. Employee Termination Indemnity (TFR):

- The "Severance Pay" (*Liquidazione*). The company owes this money to employees when they stop working there. It accumulates every year.

4. Debts (Debiti):

- **Financial Debts:** Usually long-term (e.g., Bank Loans / Mutui).
- **Current Debts:** Usually short-term (e.g., Debts towards Suppliers).

5. Negative Accruals (Ratei e Risconti Passivi):

- Revenues or costs spanning across two years (accounting adjustments).

2. Income Statement (Conto Economico)

Reference: Art. 2425 of the Civil Code.

It calculates the **Result of the Fiscal Year** (Profit or Loss). It is an algebraic sum of Revenues and Costs.

| Structure | Description |
|------------------------|-----------------------------------|
| A) Value of Production | Revenues from main activity. |
| B) Costs of Production | Costs to generate those revenues. |
| Difference (A - B) | <i>Operating Result (EBIT)</i> |

| Structure | Description |
|--|---------------------------------|
| C) Financial costs and revenues | Interests and financial income. |
| D) Value of Adjustment of Fin. Assets | Revaluations or Write-downs. |
| Result Before Taxes | Sum of (A-B +/- C +/- D). |
| Taxes | Income taxes. |
| Final Profit or Loss | Net Result. |

A) Value of Production (Revenues)

Represents the total economic value generated by the company.

- **Sales Revenues:** Money from selling products or services.
- **Change in Inventory of Finished Products:**
 - Formula: Final Stock (FS) – Initial Stock (IS) .
 - *Logic:* If **FS > IS** (Positive), it means we produced more than we sold. This surplus production is "value" stored in the warehouse, so it counts as a **Revenue** (Value of Production).

B) Costs of Production

- **Raw Materials:** Purchasing material to make products.
- **Services:** Electricity, consultancy, transport, insurance.
- **Personnel:** Wages, salaries, and social contributions.
- **Amortization/Depreciation:** The loss of value of Fixed Assets (machinery) over time.
- **Change in Inventory of Raw Materials:**
 - Formula: Initial Stock (IS) – Final Stock (FS) .
 - *Logic:*
 - If **IS > FS**: We started with a lot of material and ended with little. It means we **consumed** the stock. This is an extra **Cost**.
 - If **FS > IS**: We bought materials but didn't use them all (we stored them). This reduces the cost for the year (negative cost).

Result Calculation

1. **Partial Result (EBIT):** Value of Production (A) – Costs of Production (B) .

2. **C) Financial Area:**

- **(-) Bank Interests:** Cost (e.g., interest on loans).
- **(-) Bond Interests:** Cost (interest paid to bondholders).
- **(+) Active Interests:** Revenue (interest received from bank deposits).

3. D) Adjustments:

- Difference between the original purchase cost of a financial asset and its current value (Revaluation/Write-down).

4. Final Result: Before Tax Result – Taxes = Net Profit (or Loss).

Example Exercise:

(Placeholder for class exercise. Usually involves classifying items like "Machinery" into Assets or "Electricity Bill" into Costs of Production)