Chapter 4

UNDERSTANDING BALANCE SHEETS

Suteera Pongtepupathum
Ph.D., CPA
1/2565

LEARNING OBJECTIVES

- describe the elements of the balance sheet: assets, liabilities, and equity;
- describe uses and limitations of the balance sheet in financial analysis;
- describe alternative formats of balance sheet presentation;
- distinguish between current and non-current assets and current and non-current liabilities;
- describe different types of assets and liabilities and the measurement bases of each;
- describe the components of shareholders' equity;
- convert balance sheets to common-size balance sheets and interpret common-size balance sheets;
- calculate and interpret liquidity and solvency ratios.

CONTENTS

OVERVIEW

- Balance sheet elements and format
- Accounting issues
  - Current and non-current assets and liabilities
  - Measurement bases of different assets and liabilities
- Components of shareholders' equity
- Balance sheet analysis
- Liquidity and solvency

BALANCE SHEET CONTENTS

The **balance sheet** is also known as the **statement of financial position** or **statement of financial condition**.

The balance sheet discloses, at a specific point in time:

- what an entity owns (or controls),
- what it owes, and
- what the owners' claims are.

company owns

cannot tell intrinsic or true value of the firm

Assets = Liabilities + Owners' Equity

finance from

e.g. House = mortgage borrow from bank + your own cash

BALANCE SHEET ELEMENTS

- **Assets (A):** resources controlled by the company as a result of past events and from which future economic benefits are expected to flow *to* the entity.

→ have right to access to assets of company first

- **Liabilities (L):** obligations of a company arising from past events, the settlement of which is expected to result in a future outflow of economic benefits *from* the entity.

to be settle by

- **Equity (E):** represents the owners' residual interest in the company's assets after deducting its liabilities.

EQUITY = net assets = assets - liabilities

- The balance sheet provides important information about a company's financial condition.
- However, balance sheet amounts of equity (assets, net of liabilities) should not be viewed as a measure of either the market or intrinsic value of a company's equity.
- Why? * BS cannot tell intrinsic /true value of firm.
  - The balance sheet is *a mixed model* with respect to measurement (some items at historical cost with and without adjustment, other items at fair value).
    ↳ e.g. AR adjusted with allowance
    ↳ 3 levels → each level give different confidence
    - 3 levels of fair value
  - e.g. show value of investment at a point of time
  - Current value reflect the value at the end of the reporting date. Thus, those values can change after the balance sheet is prepared.
  - Future cash flows, which affect value, are driven by items excluded from the balance sheet (e.g., reputation, management skills).
    ↳ cannot be captured /recorded on BS

BALANCE SHEET

- Under both IFRS and US GAAP, Balance sheet must distinguish between and present separately
  - current and non-current assets
  - current and non-current liabilities

CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

Trading company : acquire inventory from supplier → sell to customer → obtain cash from customer

- **Operating cycle**: the time from acquiring inventory to collecting cash from sales to customers.

  ↳ probably end within 1 year. / certain industries can have operating cycle > 1 year

- **Current assets:** Assets expected to be sold, used up, or otherwise realized in cash within one year or one operating cycle of the business, whichever is greater, after the reporting period.
- **Non-current assets:** Assets not classified as current. Also known as long-term or long-lived assets.
- **Current liabilities:** Liabilities expected to be settled within one year or within one operating cycle of the business.
- **Non-current liabilities**: All liabilities not classified as current.

  ↗ generic definition → can be changed depends on contract

- **Working capital:** The excess of current assets over current liabilities.

MEASUREMENT BASES OF CURRENT ASSETS: CASH AND CASH EQUIVALENTS

e.g. a firm deposit cash in bank and there is restriction that firm cannot take cash out within 3 months.

Cash Equivalents: Highly liquid, short-term investments that are so close to maturity that the risk of significant change in value from changes in interest rates is minimal.

Examples:

- demand deposits with banks
- highly liquid investments with original maturities of three months or less (e.g., U.S. T- bills, commercial paper, money market funds)

MEASUREMENT BASES OF CURRENT ASSETS: TRADE RECEIVABLES

Trade receivables: Amounts owed to a company by its customers for products and services already delivered.

- Also referred to as accounts receivable.
- Typically reported at **net realizable value**, an approximation of fair value, based on estimates of collectability.

/cannot collect

firms have to estimate the amount that they will not receive from customers

Aspects of accounts receivable often relevant to an analyst:

- overall level of accounts receivable relative to sales,
- allowance for doubtful accounts, and
- concentration of credit risk.

MEASUREMENT BASES OF RECEIVABLES: BOEING EXAMPLE

Note 5 – Accounts Receivable, net

Accounts receivable at December 31 consisted of the following:

	2022	2021
U.S. government contracts[1]	**$800**	$1,180
Commercial Airplanes	**293**	279
Global Services[2]	**1,390**	1,456
Defense, Space, & Security[2]	**145**	111
Other	**5**	5
Less valuation allowance	**(116)**	(390)
Total	**$2,517**	$2,641

[1] Includes foreign military sales through the U.S. government
[2] Excludes U.S. government contracts

https://www.boeing.com/resources/boeingdotcom/company/annual-report/2022/Boeing-2022-Annual-Report.pdf

Note 5 – Accounts Receivable, net

Accounts receivable at December 31 consisted of the following:

	2021	2020
U.S. government contracts[1]	**$1,180**	$811
Commercial Airplanes	**279**	17
Global Services[2]	**1,456**	1,437
Defense, Space, & Security[2]	**111**	120
Other	**5**	14
Less valuation allowance	**(390)**	(444)
Total	**$2,641**	$1,955

[1] Includes foreign military sales through the U.S. government
[2] Excludes U.S. government contracts

https://s2.q4cdn.com/661678649/files/doc_financials/2021/ar/The-Boeing-Company-2021-Annual-Report.pdf

Based on the note below, what percentage of its receivables did Boeing estimate will be uncollectible?

or $\frac{116}{(800+293+1390+145+5)}$

For 2022: $= \frac{116}{2,517+116} = 4.41\%$

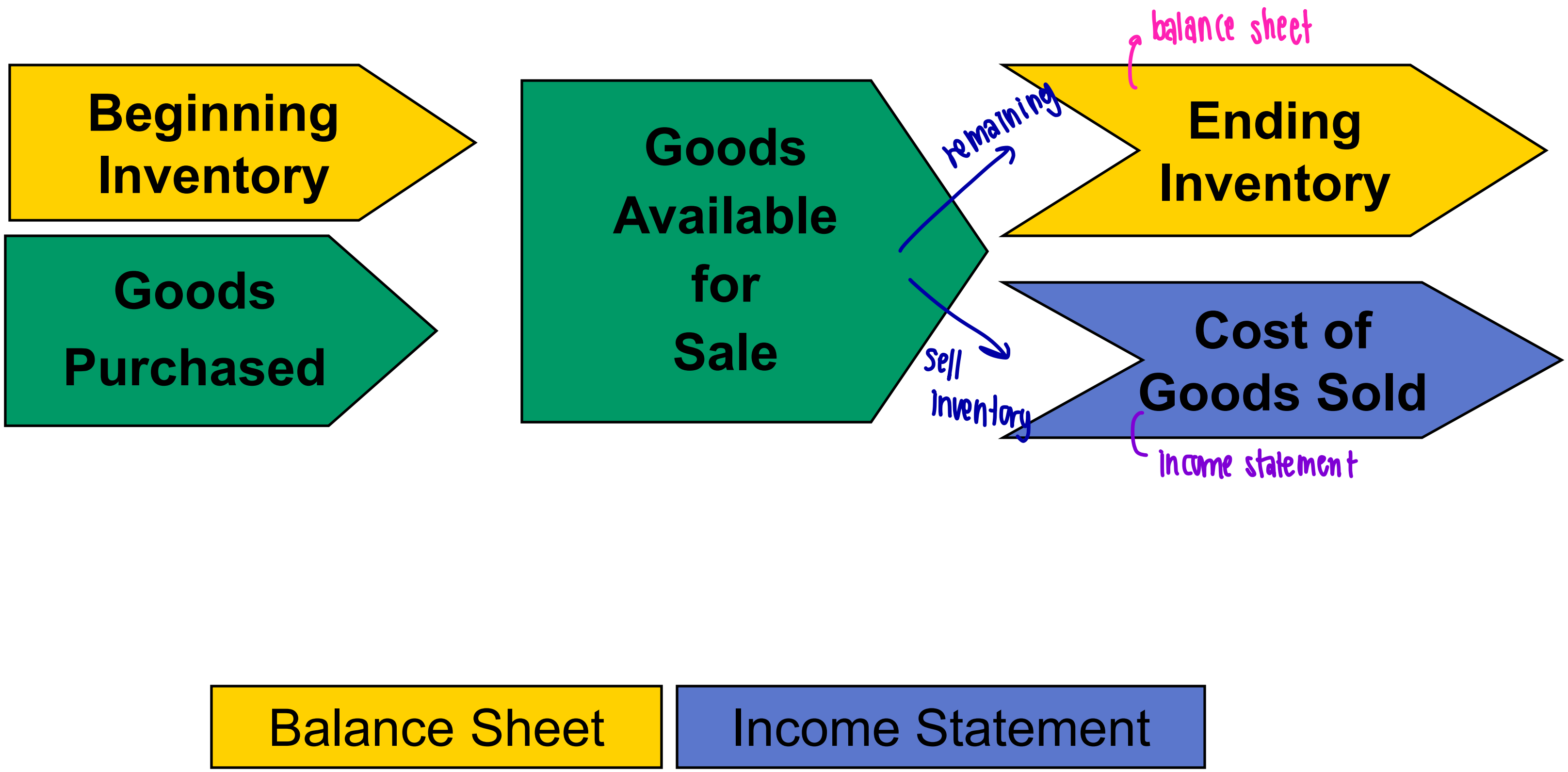
For 2021: $= \frac{390}{2,641+390} = 12.87\%$

For 2020: $= \frac{444}{1955+444} = 18.51\%$

they're more optimistic towards market
↓
market recovered from COVID-19 situation

MEASUREMENT BASIS OF CURRENT ASSETS: INVENTORY

Inventory ***Cost*** *Flow*



MEASUREMENT BASES OF CURRENT ASSETS: INVENTORY

↱ can be expired → lower the price

e.g. Trading firm sell fruits

↓ profit will be very low

of NRV

U.S. GAAP	IFRS
• Lower of cost or market (LCM): - Market (range) defined as replacement cost with a floor (there is a cap) (Net realizable value, or NRV, less normal profit margin) and a ceiling (NRV). - NRV defined as estimated selling price less estimated costs of completion and sale.	• Lower of cost or net realizable value (LCNRV): - NRV defined as estimated selling price less estimated costs of completion and sale.
• Reversals of prior write-downs are NOT allowed.	• Reversals of prior write-downs <u>can</u> be made and recognized in income.
• Permits last in, first out (LIFO).	• Does *not* permit LIFO.

MEASUREMENT BASES OF NON-CURRENT ASSETS: PROPERTY, PLANT, AND EQUIPMENT

- **Property, plant, and equipment (PP&E):** Tangible assets that are used in company operations over more than one fiscal period.

- Under the cost model, PP&E is reported at historical cost less any accumulated depreciation and less any impairment losses.
  - Depreciation: Systematic allocation of cost over an asset's useful life.
  - Land is not depreciated.
  - Impairment losses reflect an unanticipated decline in value.

↳ firm think what PPE offer is lower than its cost

MEASUREMENT BASES OF NON-CURRENT ASSETS: PROPERTY, PLANT, AND EQUIPMENT

U.S. GAAP	IFRS
• Permit only the cost model for reporting PP&E.	• Permit either cost model or revaluation model. - Can use different models for different classes of assets. - Must apply same model to all assets within a particular class.
• Reversals of prior impairment losses are NOT allowed.	• Reversals of impairment losses are permitted.

cannot capture /capitalize R&D expenses → as it may not give future benefit
↳ in IFRS, if it meets → criteria → can be capitalized
↳ in US-GAAP ✗

MEASUREMENT BASES OF NON-CURRENT ASSETS: INTANGIBLE ASSETS

| internally developed intangible assets will not be shown

↳ only intangible assets that were externally purchased by firm will be shown on BS.

- **Intangible assets:** Identifiable non-monetary assets without physical substance (e.g., patents, licenses, trademarks).
- Goodwill, which arises in business combinations and is not a
  ↳ price you paid more than the value you can identify
  separately identifiable asset, is covered separately in IFRS.
- Measurement models for intangible assets:
  - IFRS allow either a cost model or a revaluation model for intangible assets.
  - U.S. GAAP allow only the cost model.
- Measurement of intangible assets subsequent to acquisition:
  - Intangible asset with finite useful life: Amortize over useful life and assess for impairment when indicated.
  - Intangible asset with indefinite useful life: Do not amortize, but assess for impairment (annually under IFRS; only after qualitative assessment under U.S. GAAP).

MEASUREMENT BASES OF NON-CURRENT ASSETS: GOODWILL

Goodwill:

- Arises when a company acquires another company for a price in excess of fair market value of net identifiable assets acquired.
- Is equal to purchase price of business minus fair market value of net assets acquired.
- Represents value of all favorable attributes that relate to a business enterprise.
- Is recorded only when there is an exchange transaction that involves the purchase of an entire business.
- Is not amortized, but must be assessed for impairment.

• Accounting goodwill does not equal economic goodwill.

COMMON TYPES OF CURRENT LIABILITIES

สินค้า/ บริการ

suppliers

- **Trade payables**, also known as **accounts payable:** Amounts that a company owes its vendors for purchases of goods and services—in other words, the unpaid amounts of the company's purchases on credit as of the balance sheet date.

→ promissory note, bill of exchange

- **Notes payable:** Financial liabilities owed by a company to creditors, including trade creditors and banks, through a formal loan agreement.

คชจ.

- **Accrued expenses** (also called "accrued expenses payable," "accrued liabilities," and other "non-financial liabilities") are expenses that have been recognized on a company's income statement but that have not yet been paid as of the balance sheet date.

→ So, it cannot be recognized as revenue

customer paid in advance but companies haven't deliver goods or services to customer.

- **Deferred income** (also called "deferred revenue" and "unearned revenue") arises when a company receives payment in advance of delivery of the goods and services associated with the payment.

COMMON TYPES OF NON-CURRENT LIABILITIES

not historical cost

value you see is present value / amortized cost or fair value

Long-term financial liabilities: Include loans (i.e., borrowings from banks) and notes or bonds payable (i.e., fixed-income securities issued to investors).

- Usually reported at amortized cost on the balance sheet.
- In certain cases, liabilities, such as bonds, issued by a company are reported at fair value.

or

company will have to pay taxes more in the future

Deferred tax liabilities: Amount of income taxes payable in future periods with respect of taxable temporary differences.

- Result from *temporary* timing differences between a company's income as reported for tax purposes (taxable income) and income as reported for financial statement purposes (reported income).

COMPONENTS OF SHAREHOLDERS' EQUITY(1)

ordinary stocks

1) Capital contributed by owners (or common stock or share capital)

→ special than common stock → would have special right in terms of dividend and assets (after firm liquidated) over general common stockholders

2) Preferred shares: shares that have rights that take precedence over the rights of common shareholders.

↳ cannot vote

- Preferential rights generally pertain to receipt of dividends and receipt of assets if the company is liquidated.

→ shares the companies repurchase from the market

3) Treasury shares (or treasury stock): shares in the company that have been repurchased by the company and are held as treasury shares rather than being cancelled.

when firm repurchases share back

A = L + E

cash ↓ ↓ T/S

Why does a company repurchase its share?

↳ firm has too much cash → distribute profit to shareholder beside dividend

↳ individual investors view share repurchase differently from dividend

investors don't expect firm to do this unlike dividend

payout expect to pay in future

stock repurchase affects accounting the same as dividend

↳ firm believes that their stock is undervalued

↳ to counteract the diluted price from stock issuing to employees

COMPONENTS OF SHAREHOLDERS' EQUITY(2)

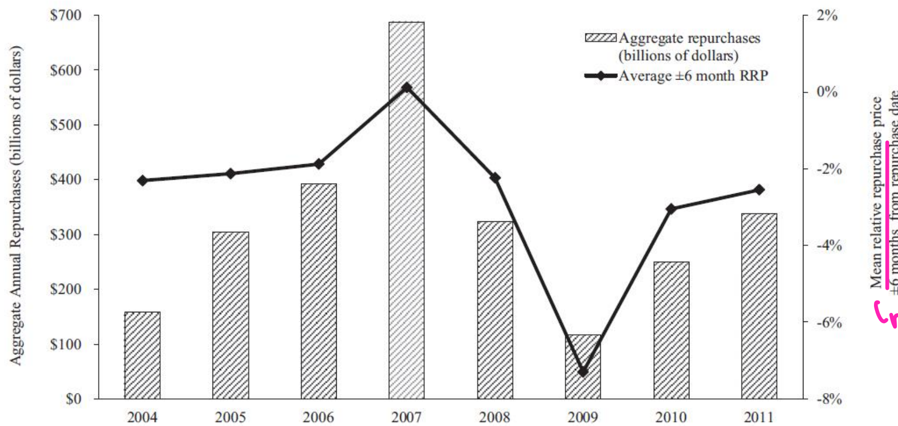
4) Retained earnings: The cumulative amount of earnings recognized in the company's income statements that have not been paid to the owners of the company as dividends.

5) Accumulated other comprehensive income (or other reserves, items recognized directly in equity): the cumulative amount of *other* comprehensive income or loss.

6) Non-controlling interest (or minority interest): the equity interests of minority shareholders in the subsidiary companies that have been consolidated by the parent (controlling) company but that are not wholly owned by the parent company.

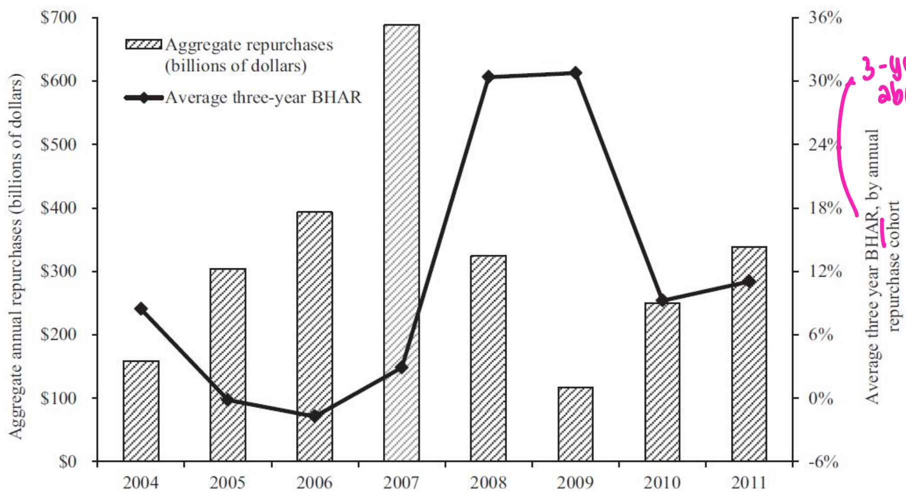
Managers would like to repurchase stocks from market as they think that their stocks are undervalued.

Panel A: Aggregate repurchases (left scale) versus average ±6 month RRP (right scale)



(negative

Panel B: Aggregate repurchases (left scale) versus average three-year BHARs (right scale)



3-yr buy-hold abnormal return

10% or more than average

Fig. 1. Aggregate annual dollar value of repurchases versus the *Relative repurchase price* (RRP) and three-year buy-and-hold abnormal returns (BHARs). Panels A and B provide bar graphs of the aggregate annual repurchases (billions of dollars) from 2004 to 2011. For Panel A, the solid line presents the mean relative repurchase price for each year, 2004–2011, where the RRP is measured as the percentage difference between the average repurchase price paid by the firm during the repurchase month (as reported in the 10-K) and the average closing stock prices as reported on CRSP for the six months surrounding the repurchase month. For Panel B, the solid line presents average three-year buy-and-hold abnormal returns, by annual cohort, relative to 25 size and book-to-market matched portfolios obtained from Kenneth French's website.

Prior literature presents a mixed evidence.

to sell it at higher price in the future

managers repurchase at lower price than market

Relative repurchase price

= the average repurchase price paid in the repurchase during the repurchase month (as reported in financial statements) and the average daily closing stock prices (from CRSP) over several comparison periods of t months before and after the repurchase month.

If firms can time the market, the relative repurchase price should be significantly less than zero.

Finding: the median firm repurchases stock at a price that is 1.8% lower than the average closing price six months before to six months after the repurchase.

- Dittmar, A. and Field, L.C., 2015. Can managers time the market? Evidence using repurchase price data. *Journal of Financial Economics*, *115*(2), pp.261-282.

ANALYSIS OF BALANCE SHEETS

Liquidity

- A company's ability to meet its short-term financial commitments.
- Assessment focus: The company's ability to convert assets to cash and to pay for operating needs.

Solvency

- A company's ability to meet its financial obligations over the longer term.
- Assessment focus: The company's financial structure and its ability to pay long-term financing obligations.

Analytical Tools

- Common-size analysis.
- Balance sheet ratios.

COMMON-SIZE BALANCE SHEETS

($ thousands)	A	B	C
ASSETS			
Cash, cash equivalents, marketable securities	1,900	200	3,300
Accounts receivable	500	1,050	1,500
Inventory	100	950	300
Total current assets	2,500	2,200	5,100
Property, plant, and equipment, net	750	750	4,650
Goodwill	0	300	0
Total assets	3,250	3,250	9,750
LIABILITIES AND EQUITY			
Accounts payable	0	2,500	600
Total current liabilities	0	2,500	600
Long-term bonds payable	10	10	9,000
Total liabilities	10	2,510	9,600
Total shareholders’ equity	3,240	740	150
Total liabilities and shareholders’ equity	3,250	3,250	9,750

COMMON-SIZE BALANCE SHEETS

(percent of total assets)	A	B	C
ASSETS A may plan to do project without financing			
Cash, cash equivalents, marketable securities A has a lot of cash & cash equivalents	58%	6%	34%
Accounts receivable	15%	32%	15%
Inventory	3%	29%	3%
Total current assets	77%	68%	52%
Property, plant, and equipment, net	23%	23%	48%
Goodwill	0%	9%	0%
Total assets	100%	100%	100%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable A prefers	0%	77%	6%
Total current liabilities to finance	0%	77%	6%
Long-term bonds payable internally	0%	0%	C is risky, it finance through borrowing 92%
Total liabilities	0%	77%	98%
Total shareholders' equity	100%	23%	2%
Total liabilities and shareholders' equity	100%	100%	100%

Financial ratio

BALANCE SHEET RATIOS: LIQUIDITY RATIOS

Liquidity ratios indicate a company's ability to meet current liabilities.

Ratio	Calculation
Current	Current assets / Current liabilities test that company can pay current liabilities or not
Quick (acid test) excluded current assets those are hard to exchange to cash	(Cash + Marketable securities + Receivables) / Current liabilities
Cash	(Cash + Marketable securities) / Current liabilities

BALANCE SHEET RATIOS: SOLVENCY RATIOS

firm's ability to pay long-term obligations

Solvency ratios indicate financial risk and financial leverage and a company's ability to meet its financial obligations over time.

Ratio	Calculation
Long-term debt to equity	Total long-term debt ÷ Total equity
Debt to equity (100% used in covenant)	Total debt ÷ Total equity or total liabilities total interest-bearing debt
Total debt (also known as debt to assets)	Total debt ÷ Total assets
Debt to capital	Total debt ÷ (Total debt + Total equity)
Financial leverage ("Leverage ratio")	Total assets ÷ Total equity

Can also use total liabilities

Apple

provides goods & services

Apple Inc.

CONSOLIDATED BALANCE SHEETS
(In millions, except number of shares which are reflected in thousands and par value)

	September 24, 2022	September 25, 2021
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 23,646	$ 34,940
Marketable securities	24,658	27,699
Accounts receivable, net	28,184	26,278
Inventories	4,946	6,580
Vendor non-trade receivables	32,748	25,228
Other current assets	21,223	14,111
Total current assets	135,405	134,836
Non-current assets:		
Marketable securities	120,805	127,877
Property, plant and equipment, net	42,117	39,440
Other non-current assets	54,428	48,849
Total non-current assets	217,350	216,166
Total assets	$ 352,755	$ 351,002
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 64,115	$ 54,763
Other current liabilities	60,845	47,493
Deferred revenue	7,912	7,612
Commercial paper → assume that it doesn't have interest	9,982	6,000
Term debt	11,128	9,613
Total current liabilities	153,982	125,481
Non-current liabilities:		
Term debt	98,959	109,106
Other non-current liabilities	49,142	53,325
Total non-current liabilities	148,101	162,431
Total liabilities	302,083	287,912
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, $0.00001 par value: 50,400,000 shares authorized; 15,943,425 and 16,426,786 shares issued and outstanding, respectively	64,849	57,365
Retained earnings/(Accumulated deficit)	(3,068)	5,562
Accumulated other comprehensive income/(loss)	(11,109)	163
Total shareholders' equity	50,672	63,090
Total liabilities and shareholders' equity	$ 352,755	$ 351,002

- Current ratio
  - 2022: $= \frac{135,405}{153,982} = 0.88$
  - 2021: $= \frac{134,836}{125,481} = 1.07$

int bearing debt

- D/E ratio
  - 2022: $= \frac{11,128 + 98,959}{50,672} = 2.17$
  - 2021: $\frac{9,613 + 109,106}{63,090} = 1.88$

company still has to borrow to finance its projects

→ revenue came from subscription and receive cash → has a lot of cash & don't have to invest much compared to APPLE

Microsoft → already has a lot of cash ↳ doesn't have to borrow

BALANCE SHEETS

(In millions)

June 30,	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ **34,704**	$ 13,931
Short-term investments	**76,558**	90,826
Total cash, cash equivalents, and short-term investments	**111,262**	104,757
Accounts receivable, net of allowance for doubtful accounts of **$650** and $633	**48,688**	44,261
Inventories	**2,500**	3,742
Other current assets	**21,807**	16,924
Total current assets	**184,257**	169,684
Property and equipment, net of accumulated depreciation of **$68,251** and $59,660	**95,641**	74,398
Operating lease right-of-use assets	**14,346**	13,148
Equity investments	**9,879**	6,891
Goodwill	**67,886**	67,524
Intangible assets, net	**9,366**	11,298
Other long-term assets	**30,601**	21,897
Total assets	$ **411,976**	$ 364,840
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ **18,095**	$ 19,000
Current portion of long-term debt	**5,247**	2,749
Accrued compensation	**11,009**	10,661
Short-term income taxes	**4,152**	4,067
Short-term unearned revenue	**50,901**	45,538
Other current liabilities	**14,745**	13,067
Total current liabilities	**104,149**	95,082
Long-term debt	**41,990**	47,032
Long-term income taxes	**25,560**	26,069
Long-term unearned revenue	**2,912**	2,870
Deferred income taxes	**433**	230
Operating lease liabilities	**12,728**	11,489
Other long-term liabilities	**17,981**	15,526
Total liabilities	**205,753**	198,298
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital – shares authorized 24,000; outstanding **7,432** and 7,464	**93,718**	86,939
Retained earnings	**118,848**	84,281
Accumulated other comprehensive loss	**(6,343)**	(4,678)
Total stockholders' equity	**206,223**	166,542
Total liabilities and stockholders' equity	$ **411,976**	$ 364,840

Refer to accompanying notes.

- Current ratio
  - 2022: $\frac{184,257}{104,149} = 1.77$
  - 2021: ↳ $\frac{169,684}{95,082} = 1.78$
- D/E ratio
  - 2022: $\frac{5,247 + 41,990 + 12,728}{206,223} = 0.29$
  - 2021: $\frac{2,749 + 47,032 + 11,489}{166,542} = 0.37$

SUMMARY

- Balance Sheet: what an entity owns (or controls), what it owes, and what the owners' claims are at a specific point in time.
- Balance sheets usually present current and non-current assets and liabilities.
- Accounting issues relate primarily to measurement (historical cost versus fair value).
- Tools for balance sheet analysis include common-size analysis and balance sheet ratios.
- Balance sheet ratios indicate liquidity and solvency.

✓ ถูกต้อง

1. Operating items do not include

- (●) interest expense ✓
- ( ) tax expense
- ( ) asset impairment
- ( ) amortization

✗ ไม่ถูกต้อง

2. Under IFRS, a loss from the destruction of property in a fire would most likely be classified as:

- (●) discontinued operations.
- ( ) continuing operations. ✓
- ( ) other comprehensive income.
- ( ) recurring expenses.

เหตุการณ์ไม่ปกติ แต่ไม่ได้บอกว่า discontinued (unusual event)

✓ ถูกต้อง

3. Selected year-end financial statement data for Workhard are shown below (in $million).

Beginning shareholders' equity	475
Ending shareholders' equity	493
Unrealized gain on available-for-sale securities	5
Unrealized loss on derivatives accounted for as hedges	−3
Foreign currency translation gain on consolidation	2
Dividends paid	1
Net income	15

Workhard's comprehensive income for the year:

23:29 อ. 22 ส.ค.
67%
2604647_1/2023.Group

✓ ถูกต้อง

3. Selected year-end financial statement data for Workhard are shown below (in $million).
Beginning shareholders' equity 475
Ending shareholders' equity 493
Unrealized gain on available-for-sale securities 5
Unrealized loss on derivatives accounted for as hedges −3
Foreign currency translation gain on consolidation 2
Dividends paid 1
Net income 15

Workhard's comprehensive income for the year:

- (●) includes $4 million in other comprehensive income. ✓
- ( ) is $4 million.
- ( ) is increased by the derivatives accounted for as hedges.
- ( ) s $18 million.

✓ ถูกต้อง

4. When preparing an income statement, which of the following items would most likely be classified as other comprehensive income?

- ( ) A realized gain on a derivative contract not accounted for as a hedge.
- ( ) Impairment of goodwill.
- ( ) An unrealized gain on a security held for trading purposes.
- (●) A foreign currency translation adjustment. ✓

✗ ไม่ถูกต้อง

✕ ไม่ถูกต้อง

5. Shareholders' equity reported on the balance sheet is *most likely* to differ from the market value of shareholders' equity because:

- historical cost basis is used for all assets and liabilities.
- fair value is used for some assets and liabilities.
- some factors that affect the generation of future cash flows are excluded. ✓
- All of the above

อันนี้ก็ถูกแต่ choice 3 ถูกสุด

เช่น reputation

✓ ถูกต้อง

6. The non-controlling (minority) interest in consolidated subsidiaries is presented on the balance sheet:

- as a long-term liability.
- separately, but as a part of shareholders' equity. ✓
- no non-controlling interest shown on the balance sheet.
- None is correct.

✓ ถูกต้อง

7. When a company buys shares of its own stock to be held in treasury, it records a reduction in:

- both assets and liabilities.
- one asset and records an increase in another assets.
- both assets and shareholders' equity. ✓

23:29 อ. 22 ส.ค.   67%

2604647_1/2023.Group

✓ ถูกต้อง

7. When a company buys shares of its own stock to be held in treasury, it records a reduction in:

- both assets and liabilities.
- one asset and records an increase in another assets.
- both assets and shareholders' equity. ✓
- assets and an increase in shareholders' equity.

✓ ถูกต้อง

8. Apex Consignment sells items over the internet for individuals on a consignment basis. Apex receives the items from the owner, lists them for sale on the internet, and receives a 25 percent commission for any items sold. Apex collects the full amount from the buyer and pays the net amount after commission to the owner. Unsold items are returned to the owner after 90 days. During 2009, Apex had the following information:
Total sales price of items sold during 2009 on consignment was €2,000,000.
Total commissions retained by Apex during 2009 for these items was €500,000.
How much revenue should Apex report on its 2009 income statement?

- €2,000,000.
- €500,000. ✓
- €1,500,000.

✓ ถูกต้อง

9. Which inventory method is least likely to be used under IFRS?

- Last-in, first-out ✓

€1,500,000.

✓ ถูกต้อง

9. Which inventory method is least likely to be used under IFRS?

- (selected) Last-in, first-out ✓
- First-in, first-out
- Weighted average
- Moving average

✓ ถูกต้อง

10. An investor worried about a company's long-term solvency would most likely examine its:

- profit margin ratio.
- return on equity.
- current ratio
- (selected) debt-to-equity ratio. ✓

กลับไปยังหน้าขอบคุณ