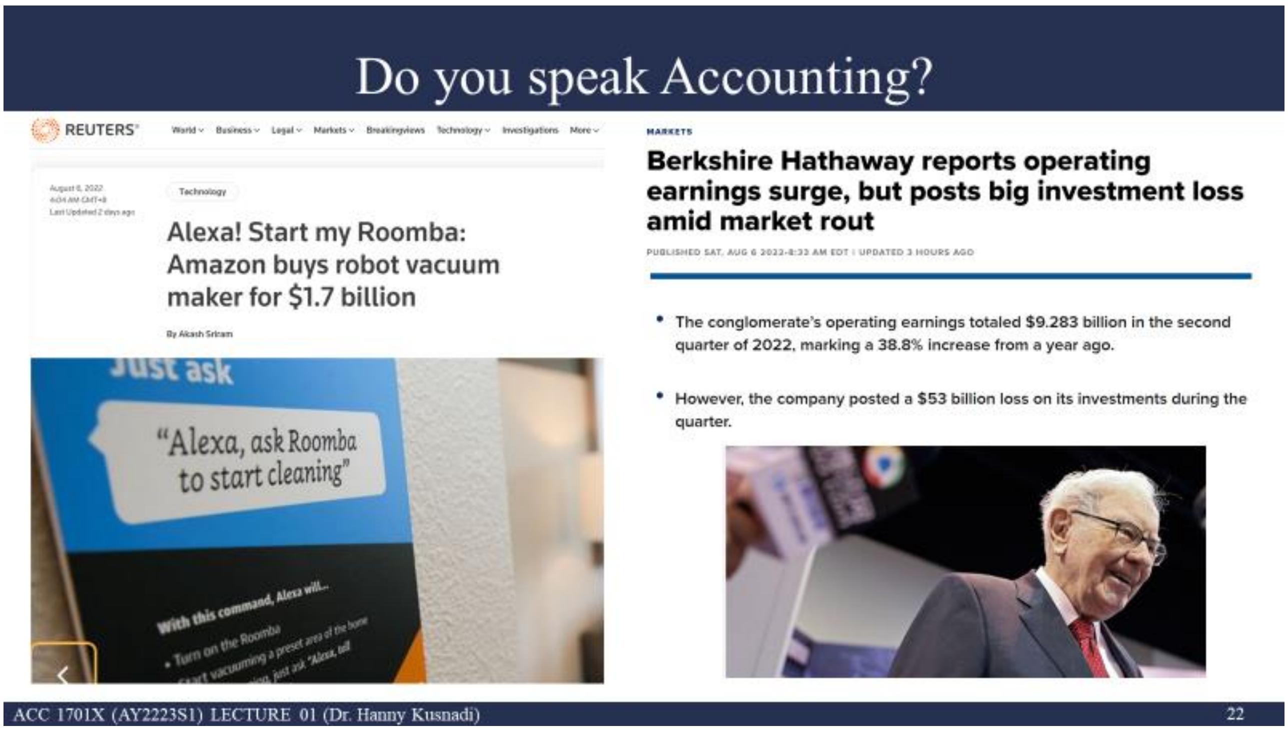
ACC1701X
AY 2022 / 2023 SEMESTER 1

POST LECTURE SUPPLEMENT

<u>LECTURE 01</u>

In-class Discussion: Accounting as the language of the business world – deciphering some recent business news articles.



How are these articles related to accounting? What are your curious about when you read these article headings?

Some of the responses from students in class:
<u>Amazon & Roomba article:</u>

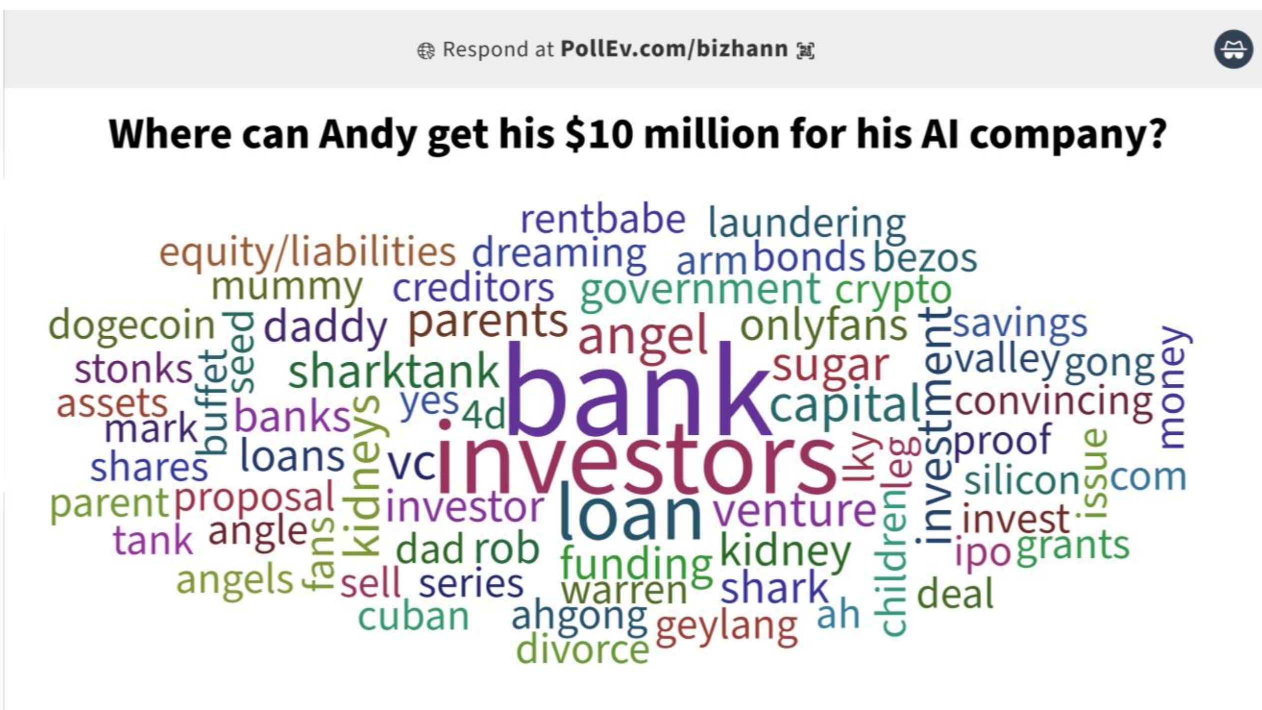
- Would like to understand more about the company fundamentals and how Amazon is going to incorporate Roomba?
- How will the revenues change for Amazon?
- Where will the $1.7 billion come from?
- How did the valuation come about?

<u>Berkshire Hathaway article:</u>

- What does the earnings and loss mean?
- How do you value the investments?
- What is the difference between operating earnings and investment loss?

In-class Discussion: Where can Andy get his $10million for his AI company.

In-class poll results (LX1 & LX2):



PollEV Quick Quiz:

1) If Go-go-Green company has total assets of $50,000, what is the owners' claim on the assets if it also has liabilities of $30,000?

   A: $20,000
   Assets = Liabilities + Equity
   ➔ 50,000 = 30,000 + Equity
   ➔ Equity = 50,000 – 30,000 = 20,000

2) An employee of Go-go-Green sues the company and seeks $10k in alleged losses due to workplace accident. Likelihood of compensation for workplace accidents is high based on past records. Is this potential damage a liability?

   A: Yes, it is a liability.
   Refer back to the definition of liability: The likelihood of Go-go-Green 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.

3) Quick Quiz #3: Which of these are income?
   a. Bought a new property for $2 million in cash
   b. Received a gift of a building worth $2 million
   c. None of the above

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

4) Quick Quiz #3: Which of these are expenses?
   a. Company repays loan principal of $100k
   b. Company buys back its own shares from a shareholder
   c. None of the above

   A: (c) None of the above.
   Prepaying loan principal is not an expense. It is settlement on an existing obligation (liability) and does not affect equity.
   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.