



Financial Statements

- Accounting Principles

2022. 2.

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Agenda

- Recap the last class
- The Value of Corporations: Simplified Examples
- The Value of Corporations: Multiple Periods
- Income Statement
- Balance Sheet
- Asset, Liability, Equity, Gain, Loss

Consulting Company Case #3

- Setting
 - Jane, Sam, and Tom and studied Data-mining at the same university.
 - Three of them decided to open a big data consulting firm.
 - They invested their own money:
Jane (\$12,000), Sam (\$6,000), Tom (\$2,000)
 - They made a corporation for their consulting business. (The name of the corporation is “ST Consulting”)
 - For now, they hired Sally and Nancy. (Only Sally and Nancy are the employees of the company.)
 - ST Consulting borrowed \$9,000 from a bank for ten years.

ST Consulting Case #3

- ST Consulting started its business on 1st of November.

	Nov. 1st~Nov.30th	Dec. 1st ~ Dec. 31st	Jan. 1st ~ Jan. 31st
Consulting Revenue (Cash)	\$1,000	\$5,000	\$6,000
Consulting Revenue (on credit, pay later)	\$0	\$1,000	\$2,000
Salary Expense (Cash)	\$2,000	\$2,000	\$2,000
Interest Expense (Cash)	\$40	\$40	\$40

- What were the profits of each month? (On-credit revenue will be paid one year later. At this moment, the customers are rich. They will pay the bill one year later.)
- How much cash did ST Consulting have at the end of each month?
- What were the value of ST Consulting at the end of each month?
(We are mainly looking at the past transactions, not the future events.)

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- How much cash did ST Consulting have at the end of each month?
- What were the value of ST Consulting at the end of each month?
(We are mainly looking at the past transactions, not the future events.)
- How can we describe the status of ST Consulting at the end of each month?
Any idea?

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- How can we describe the status of ST consulting at the end of each month?

	Nov.30th	Dec. 31st	Jan. 31st
Cash	\$27,960	\$30,920	\$34,880
Receivable (on credit, pay later)	\$0	\$1,000	\$3,000
Positive Value Total	\$27,960	\$31,920	\$37,880
Bank Loan	\$9,000	\$9,000	\$9,000
Value of ST Consulting	\$18,960	\$22,920	\$28,880

Balance Sheet

- Balance Sheet

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ST Consulting		Company name
Balance Sheet		
December 31, 2021		<u>Point in time</u> specific date
	2021	
	ASSETS (positive)	
Cash	\$30,920	
Receivable	\$1,000	
A TOTAL ASSETS	\$31,920	
	LIABILITIES AND EQUITY	
	LIABILITIES <small>빚 debt</small>	
Bank Loan	\$9,000	
B TOTAL LIABILITIES	\$9,000	
	EQUITY	
Capital Stock <small>(자본)</small>	\$20,000	
Retained Earnings <small>(accumulated profits)</small>	\$2,920	
C TOTAL EQUITY <small>→ Value</small>	\$22,920	
TOTAL LIABILITIES and EQUITY	\$31,920	

$$C = A - B$$

Balance Sheet

- Balance Sheet

ST Consulting				Company name
Balance Sheet				
December 31, 2021				Point in time
ASSETS		LIABILITIES AND EQUITY		
		LIABILITIES <i>A</i>		
Cash	\$30,920	Bank Loan		\$9,000
Receivable	\$1,000	TOTAL LIABILITIES		\$9,000
		EQUITY <i>← 추가 자본</i>		
		Capital Stock		\$20,000
		Retained Earnings		<i>\$2,920</i>
		TOTAL EQUITY <i>B</i>		\$22,920
TOTAL ASSETS <i>D</i>	\$31,920	TOTAL LIABILITIES and EQUITY <i>C = A+B</i>		\$31,920
20				

D = C

Important Concepts

Gain, Loss, Asset, Liability, Capital

(Assets)

- Asset: Future cash out-flow , positive
- Liability: Future cash out-flow
- Equity: The value of corporation
- Gain: Increase of equity
- Loss: Decrease of equity

used in
Income statements

Any Questions?

Remaining Part of the Week #1