



Course Overview

- Accounting Principles

2022. 2.

Dr. Yangin Yoon

Agenda

- Recap the last class
- Course Principles
- The Value of Corporations: Simplified Examples
- The Value of Corporations: Multiple Periods
- Income Statement
- Balance Sheet

) main content of AP

- We need accounting records:

Recap the last class

Monetary records
- Performance evaluation

- How to record the events and transactions?

- Man-made rules

- Cash in-flow and cash out-flow recording

- Limitations and other problematic cases

only cash focus

→ limit

의도 × 결과

- Concept of Corporation



법인.

법인의 목적은 범위.

Recap the last class - Sibling Case #1

- You have a younger brother (sister). Your parents want to you to guide your brother (sister) to build a desirable habit.
- When should you give praise to your sibling?

		March	April	May
(Income)	Allowance (Cash)	100,000	100,000	100,000
(Spending)	Transportation	30,000	25,000	30,000
	Snacks	12,000	40,000	8,000
	Buying books	30,000	0	0
	Buying game items			70,000

negative

→ We can evaluate performance by using cash in-and-out records.

Recap the last class - Sibling Case #2

- You and your brother made an agreement. You promised that you would give the same amount of money that your brother would have at the end of every month.
 - Does this promise make your brother a good boy?

		March	April	May	June
(Income)	Allowance (Cash)	100,000	100,000	100,000	100,000
(Spending)	Transportation	30,000	25,000	30,000	0
	Snacks	12,000	30,000	8,000	2,000
	Buying books	20,000	40,000	0	0

*also negative
→ Limit of "only cash"*

→ Sometimes, it may have limitations.

Recap the last class - Sibling Case #3

- You and your brother made an agreement. You promised that you would give the same amount of money that your brother would have at the end of every month.
 - Does this promise make your brother a good boy?

		March	April	May
(Income)	Allowance (Cash)	100,000	100,000	100,000
(Spending)	Transportation	30,000	25,000	30,000
	Snacks	12,000	40,000	20,000
	Buying books	20,000	20,000	0
(Income)	Selling books (Carrot Market)			18,000

→ We need to consider other things that have also monetary values.

(I.e., in this case, books have monetary value as well as cash.)

cash 0102 717171 0} 024.

Recap the last class - Sibling Case #4

- You and your brother made an agreement. You promised that you would give the same amount of money that your brother would have at the end of every month.
 - Does this promise make your brother a good boy?

		March	April	May	June
(Income)	Allowance (Cash)	100,000	100,000	100,000	100,000
(Spending)	Transportation	30,000	25,000	30,000	30,000
	Snacks	12,000	40,000	20,000	20,000
	Buying books	20,000	20,000	20,000	20,000
(Spending)	Buying sneakers			30,000	
(Income)	Selling sneakers				80,000

→ We need to consider other things that have also monetary values.

(I.e., in this case, sneakers have value as well as cash. And the sneakers create additional cash inflow in the end.)

Recap the last class - Sibling Case #5

- You and your brother made an agreement. You promised that you would give the same amount of money that your brother would have at the end of every month.
 - Does this promise make your brother a good boy?

		March	April	May
(Income)	Allowance	100,000	100,000	100,000
(Spending)	Transportation	30,000	25,000	30,000
	Snacks	12,000	40,000	0
	Buying books	30,000	0	20,000
	Buying game items			(-)50,000
(Other)	Borrow money from his friend			(+)50,000

→ Cash can be increased by borrowing money elsewhere.

이걸로
돈을 더
벌수 있음

→ 저축을
통해 돈을
벌수 있음.

Recap the last class - Bakery Case # 2

- AP Bakery started its business on 1st of November.
 - All transactions were made by cash.

	Nov. 1st~Nov.30th	Dec. 1st ~ Dec. 31st	Jan. 1st ~ Jan. 31st
Shop rent (deposit to the shop owner)	1,500,000	-	-
Shop monthly rent fee	500,000	500,000	500,000
Oven, tables, and chairs purchase	8,000,000	-	-
Flour, sugar, and egg purchase	3,000,000	3,000,000	3,000,000
Number of baked muffins	10,000	10,000	10,000
Value of baked muffins	10,000,000	10,000,000	10,000,000
Number of sold muffins	8,000	9,000	9,500
Value of sold muffins	8,000,000	9,000,000	9,500,000
Electricity charge (paid on the 20th of every month)	200,000	600,000	900,000
Donation of muffins	-	-	-
Salary for Tom and Sam	2,000,000	2,000,000	2,000,000
Dividend to the shareholders		3,000,000	9
Borrow money from a bank			10,000,000

Equity → 누군의 재산?
 Gain loss Assets?

Recap the last class - Bakery Case # 2

- AP Bakery started its business on the 1st of November.
 - 1) How much cash did AP Bakery Inc. have at the end of every month?
 - 2) In which month did it make the biggest profit? How much was it?
 - 3) How can we improve this business?
 - 4) How much money did Jane receive in December? 부여금
 - 5) On Feb. 1st, your cousin, Chris, said that he wanted to buy the whole AP Bakery Inc. What would be the appropriate amount for this deal? 가격가치 ?

→ Let's discuss more #5 question, the value of AP Bakery.

Any Questions?
(Recap)

The Value of Corporations: Simplified Examples

- In the previous example, we estimated the value of AP Bakery by:
 - Adding items with positive value (+)
 - Subtracting items with negative value (-)
- Items with Positive Value
 - Cash on-hand, oven, chairs, and rent deposit
- Items with Negative Value
 - Bank loan

The Value of Corporations: Simplified Examples

- Let's make our own **simple** examples!

- What is the value of AP Bakery Inc.?

- Example #1)

It was established with \$5,000 of cash and there is no other transactions.

value : \$5,000

- Example #2)

It was established with \$5,000 of cash, and AP Bakery bought new chairs \$200. There is no other transactions. And the chairs are not used. (= They can be sold with \$200 on the market.)

value : \$ 5,000

13

Cash 5000	Capital stock 5000
Chair 200	Cash 200
Cash 800	Loan 800
Cash 5600	Cap - stock 5000
Chairs 200	Loan 800
	5800

The Value of Corporations: Simplified Examples

- Let's make our own simple examples!
- What is the value of AP Bakery?
 - Example #1)

It was established with \$5,000 of cash and there is no other transactions.

$$\text{Value of AP Bakery} = \$5,000 = \$5,000 \text{ (Cash)}$$

- Example #2)

It was established with \$5,000 of cash, and AP Bakery bought new chairs \$200. There is no other transactions. And the chairs are not used. (= They can be sold with \$200 on the market.)

$$\text{Value of AP Bakery} = \$5,000 = \$4,800 \text{ (Cash)} + \$200 \text{ (Chairs)} \quad 14$$

The Value of Corporations: Simplified Examples

- Let's make our own simple examples!
- What is the value of AP Bakery Inc.?
 - Example #2)

It was established with \$5,000 of cash, and AP Bakery bought new chairs \$200. There is no other transactions. And the chairs are not used. (= They can be sold with \$200 on the market.)

- Example #3)

It was established with \$5,000 of cash, and AP Bakery rented a shop by giving \$1,000 deposit. There is no other transactions. (Today is the first day of the shop rent contract. & No time value of money)

value : \$ 5, —

The Value of Corporations: Simplified Examples

- Let's make our own simple examples!
- What is the value of AP Bakery Inc.?
 - Example #2)

It was established with \$5,000 of cash, and AP Bakery bought new chairs \$200. There is no other transactions. And the chairs are not used. (= They can be sold with \$200 on the market.)

$$\text{Value of AP Bakery} = \$5,000 = \$4,800 \text{ (Cash)} + \$200 \text{ (Chairs)}$$

- Example #3)

It was established with \$5,000 of cash, and AP Bakery rented a shop by giving \$1,000 deposit. There is no other transactions. (Today is the first day of the shop rent contract. & No time value of money)

$$\text{Value of AP Bakery} = \$5,000 = \$4,000 \text{ (Cash)} + \$1,000 \text{ (Deposit)}$$

The Value of Corporations: Simplified Examples

- Let's make our **own simple examples!**
- What is the value of AP Bakery?
 - Example #1)

It was established with \$5,000 of cash and there is no other transactions.

- Example #4)

It was established with \$5,000 of cash, and AP Bakery borrowed \$8 00 from a bank. There is no other transactions. (We assume there is no time value of money.)

The Value of Corporations: Simplified Examples

- Let's make our own simple examples!
- What is the value of AP Bakery?
 - Example #1)

It was established with \$5,000 of cash and there is no other transactions.

$$\text{Value of AP Bakery} = \$5,000 = \$5,000 \text{ (Cash)}$$

- Example #4)

It was established with \$5,000 of cash, and AP Bakery borrowed \$8 00 from a bank. There is no other transactions. (We assume there is no time value of money.)

$$\text{Value of AP Bakery} = \$5,000 = \$5,800 \text{ (Cash)} - \$800 \text{ (bank loan)}$$

should pay-back

The Value of Corporations: Simplified Examples

- Let's make our **own simple examples!**
- What is the value of AP Bakery?
- Example #2)

It was established with \$5,000 of cash, and AP Bakery Inc. bought new chairs \$200. There is no other transactions. And the chairs are not used. (= They can be sold with \$200 on the market.)

- Example #5)

It was established with \$5,000 of cash, and AP Bakery lent \$300 to Jamie for one year. Jamie will pay back \$300 in 2023. There is no other transactions. (We assume there is no time value of money.) What is the v
alue of AP Bakery in 2022?

The Value of Corporations: Simplified Examples

- Let's make our own simple examples!
- What is the value of AP Bakery?
- Example #2)

It was established with \$5,000 of cash, and AP Bakery Inc. bought new chairs \$200. There is no other transactions. And the chairs are not used.
(= They can be sold with \$200 on the market.)

$$\text{Value of AP Bakery} = \$5,000 = \$4,800 \text{ (Cash)} + \underbrace{\$200 \text{ (Chairs)}}_{\text{positive value}}$$

- Example #5)

It was established with \$5,000 of cash, and AP Bakery lent \$300 to Jamie for one year. Jamie will pay back \$300 in 2023. There is no other transactions. (We assume there is no time value of money.) What is the value of AP Bakery during 2022?

$$\text{Value of AP Bakery} = \$5,000 = \$4,700 \text{ (Cash)} + \underbrace{\$300 \text{ (lending money)}}_{\text{assets}}$$

Chairs \downarrow lending money

나중에 돈 줄 수 있다.

미래의 $\boxed{\text{cash}}$

The Value of Corporations: Simplified Examples

- Let's make our own simple examples!
- What is the value of AP Bakery?
- Example #5)

It was established with \$5,000 of cash, and AP Bakery lent \$300 to Jamie for one year.

- Example #^f5)

It was established with \$5,000 of cash, and AP Bakery donated \$300 to the University. What is the value of AP Bakery in 2022?

Value : \$ 4,700

The Value of Corporations: Simplified Examples

- Let's make our own simple examples!
- What is the value of AP Bakery?
- Example #5)

It was established with \$5,000 of cash, and AP Bakery lent \$300 to Jamie for one year.

Value of AP Bakery = \$5,000 = \$4,700 (Cash) + \$300 (lending money)

- Example #6)

It was established with \$5,000 of cash, and AP Bakery donated \$300 to our University. What is the value of AP Bakery in 2022?

Value of AP Bakery = \$4,700 = \$4,700 (Cash) \$0 (No future cash inflow)

\therefore Donation!²²

The Value of Corporations: Simplified Examples

- Let's make our own simple examples!
- What is the value of AP Bakery?
 - Example #1)

It was established with \$5,000 of cash and there is no other transactions.

- Example #6)
 -

It was established with \$5,000 of cash, and AP Bakery give dividend to its shareholders. The dividend was \$700. There is no other transactions.

Value : \$4,300

The Value of Corporations: Simplified Examples

- Let's make our own simple examples!
- What is the value of AP Bakery?
 - Example #1)

It was established with \$5,000 of cash and there is no other transactions.

$$\text{Value of AP Bakery} = \$5,000 = \$5,000 \text{ (Cash)}$$

- Example #6)

It was established with \$5,000 of cash, and AP Bakery give dividend to its shareholders. The dividend was \$700. There is no other transactions.

$$\text{Value of AP Bakery} = \$4,300 = \$4,300 \text{ (Cash)}$$

Recap the last class - Bakery Case # 2

- AP Bakery started its business on 1st of November.
 - All transactions were made by cash.

	Nov. 1st~Nov.30th	Dec. 1st ~ Dec. 31st	Jan. 1st ~ Jan. 31st
Shop rent (deposit to the shop owner) ⊕	1,500,000	-	-
Shop monthly rent fee	500,000	500,000	500,000
Oven, tables, and chairs purchase ⊕	8,000,000	-	-
Flour, sugar, and egg purchase	3,000,000	3,000,000	3,000,000
Number of baked muffins	10,000	10,000	10,000
Value of baked muffins	10,000,000	10,000,000	10,000,000
Number of sold muffins	8,000	9,000	9,500
Value of sold muffins	8,000,000	9,000,000	9,500,000
Electricity charge (paid on the 20th of every month)	200,000	600,000	900,000
Donation of muffins	-	-	-
Salary for Tom and Sam	2,000,000	2,000,000	2,000,000
Dividend to the shareholders		3,000,000	25
Borrow money from a bank ⊖			10,000,000

The Value of Corporations: Complicated Examples

- Remember the rules that we made from **own simple examples!**
- What is the value of AP Bakery at the end of Jan.?
 - Cash? add
 - Chair? add
 - Rent deposit? add
 - Bank loan? deduct
 - Dividend? **do nothing**

Consulting Company Case #1

- Setting
 - Jane, Sam, and Tom studied Data science 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)

6:3:1 → total \$20,000

- 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.)

Nov	Loss (salary employee)	2000	cash	2000
	Cash	1000	gain	1000
	Cash	5000	cap stock	5000
	char	200	cash	200
	cash	100	loan	100
		7800		7800

ST Consulting Case #1

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

자본금 \$20,000

	Nov. 1st~Nov.30th	Dec. 1st ~ Dec. 31st	Jan. 1st ~ Jan. 31st
Consulting Revenue (Cash)	\$1,000	\$5,000	\$6,000
Salary Expense (Cash)	\$2,000	\$2,000	\$2,000

- What were the profits of each month?

$$\begin{array}{ccc} \text{Nov} & \text{Dec} & \text{Jan} \\ - \$1,000 & + \$3,000 & + \$4,000 \end{array}$$

- How much cash did ST Consulting have at the end of each month?

$$\begin{array}{ccc} \text{Nov} & \text{Dec} & \text{Jan} \\ \$19,000 & \$22,000 & \$26,000 \end{array}$$

- What were the value of ST Consulting at the end of each month?

(We mainly are looking at the past transactions, not the future events.)

↳ accounting ?

28

Same with Cash they have at the end of each month.

$$\begin{array}{ccc} \$19,000 & \$22,000 & \$26,000 \\ \text{Nov} & \text{Dec} & \text{Jan} \end{array}$$

Value of End of period → Starting value + each month profit

ST Consulting Case #2

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

Start from \$20,000

	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

- 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.)

-\$1,000 +\$7,000 +\$6,000

- How much cash did ST Consulting have at the end of each month?

\$19,000 \$22,000 \$26,000

- 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.)

\$19,000 \$23,000 \$29,000 [?]

- Differences between Case #1 and Case #2?

*↓
[credit]*

*\$26,000 + 3000 (credit)
\$20,000 + (-1000 + 4000 + 6000)*

²⁹

Income Statement (Statement of Income)

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

	Nov. 1st~Nov.30th	Dec. 1st ~ Dec. 31st	Jan. 1st ~ Jan. 31s t
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
Electricity Expense (Cash)	\$100	\$300	\$600

- 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.)

- Making a table to show the profits

	Nov. 1st~Nov.30th	Dec. 1st ~ Dec. 31st	Jan. 1st ~ Jan. 31s t
④ Consulting Revenue (Cash) + (credit)	\$1,000	\$6,000	\$8,000
⑤ Salary Expense	\$2,000	\$2,000	\$2,000
⑥ Electricity Expense	\$100	\$300	\$600
Net income	-\$1,100	\$3,700	\$5,400

(1000) → -1000

값은 부가 → negative value

Income Statement (Statement of Income)

- Income Statement
 - period
 - starting - ending date
 - Corporation Charter
 - 12 month 주로 사용 범위
 - Company name

ST Consulting

Statement of Comprehensive Income

For the Year Ended December 31, 2021 and 2020

Periods

	2021 (2021. 1. 01. ~ 12. 31.)	2020
(+)	Consulting Revenue (Gain)	\$10,000
(-)	Salary Expense (Loss)	\$20,000
(-)	Electricity Expense (Loss)	\$1,000
	Net income Gain or Loss	\$(-11,000)

2021 | 2020

→ Western Style

"2021" emphasis

31

2020 | 2021

⇒ In Korea

time trend focus

Consulting Company Case #3

- Setting
 - Jane, Sam, and Tom 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.

<i>Starting: \$20,000 + \$900</i>	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.)

~~-\$ 1040 / + \$3960 / + \$5960~~

- How much cash did ST Consulting have at the end of each month?

~~27960 30920 34880~~

- 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.)

Oct 31st	Nov 30	Dec 31	Jan 31st
20000	18960	22960	28860
- 29, - 9,	+ 1,000 - 9000	+ 1,000 - 9000	+ 1,000 + 2000 - 9000
			- 9000

33

전월 마지막 날 (특정 일) 가 있으면

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.)
- How can we describe the status of ST Consulting at the end of each month?
Any idea?

Oct 31st	Nov 30th	Dec 31st	Jan 31st
29,000	27,960	30,920	34,880
- 9,000	- 9,000	+ 1,000	+ 3,000 → 청탁금
		- 9,000	- 9,000 늘어났으니까!

* income statement 참고.

monthly profit

$$20000 - 1040 + 2920 + 5960 = 28000$$

✓-0%

11

$$34880 - 9000 \\ + "3000"$$

Any Questions?

(Recap)