



Module 1

The Language and Tools of Financial Analysis

The Balance Sheet 1: Assets (What the company owns)

Presenter: Paul Kofman



THE UNIVERSITY OF
MELBOURNE



BNY MELLON

Balance Sheet

Let's delve into the main items on the balance sheet:

- List of the (value of) assets and liabilities
- ...at a given point in time (end of financial year)



Balance Sheet

Kellogg's 2014 (\$USD millions)

Assets	15,153	Liabilities	12,302
		Equity	2,851
	15,153		15,153

Assets

Assets

(\$USD millions)	2014	2013
Current Assets		
Cash and cash equivalents	443	273
Accounts receivable, net	1,276	1,424
Inventories	1,279	1,248
Other current assets	342	322
Total current assets	3,340	3,267
Non-current Assets		
Property, net	3,769	3,856
Goodwill	4,971	5,051
Other intangibles, net	2,295	2,367
Other assets	778	933
Total Non-current assets	11,813	12,207
Total Assets	15,153	15,474



Non-current Assets

Assets summarize what the company owns.

Some assets are *fixed* or long-term investments:

Non-current assets

- property, plant and equipment
- goodwill and other intangible assets
- other

Valuation of the Assets

Book value

- Acquisition cost – (Accumulated)
Depreciation expense

Goodwill (*intangibles*)

- Investment purchase price – Book value of
that investment
- can be amortized



Property, Plants and Equipment

Farms and land



Property, Plants and Equipment

Processing machinery





Current Assets

Other assets are *liquid* (short-term investments)

current assets

- inventories
- accounts receivable
- cash
- other

Inventories

Warehouse





Accounts receivable

Shipments



Source List

- Slide 3: Consolidated Balance Sheet, © University of Melbourne. Prepared by Indika Lovell & Thomas Szoka. Sourced from data contained within Item 8. Financial Statements and Supplementary Date – Consolidated Balance Sheet, p 39 Kellogg Company Annual Report 2014, 25 February 2015 (http://investor.kelloggs.com/files/doc_financials/annual_reports/K_2014-Annual-Report_v001_q725z5.pdf)
- Slide 4: Assets & Balance Sheet, © University of Melbourne. Prepared by Indika Lovell & Thomas Szoka. Sourced from data contained within Item 8. Financial Statements and Supplementary Date – Consolidated Balance Sheet, p 39 Kellogg Company Annual Report 2014, 25 February 2015 (http://investor.kelloggs.com/files/doc_financials/annual_reports/K_2014-Annual-Report_v001_q725z5.pdf)
- Slide 7 / overlay image: Barley field and Windmill by Duncan Harris [CC BY 2.0 (<https://creativecommons.org/licenses/by/2.0/>)] (<https://flic.kr/p/8moKKh>)
- Slide 8: Cereal Production Plant by Kitmondo Complete Plants www.kitmondo.com/complete-plants [CC BY 2.0 (<https://creativecommons.org/licenses/by/2.0/>)] (<https://flic.kr/p/qmfVtW>)
- Slide 10: 1st Care Package Arrives by Trent Bigelow [CC BY-SA 2.0 (<https://creativecommons.org/licenses/by-sa/2.0/>)] (<https://flic.kr/p/gH2jz>)
- Slide 11 / overlay image: Osaka Express Container Ship By Le.Ti.Gun (Own work) [CC0 - Public domain], via Wikimedia Commons (http://commons.wikimedia.org/wiki/File%3AOsaka_Express_Container_Ship.JPG)
- Additional overlay images sourced from: ©iStock.com/ simonkr; ©iStock.com/artlensfoto; ©iStock.com/arturchmiel. ©iStock.com/doockie