

INFO 7225

Module 1

- 1. Introduction to Accounting**
- 2. Accounting Records & Information Flow**
- 3. Financial Statements**

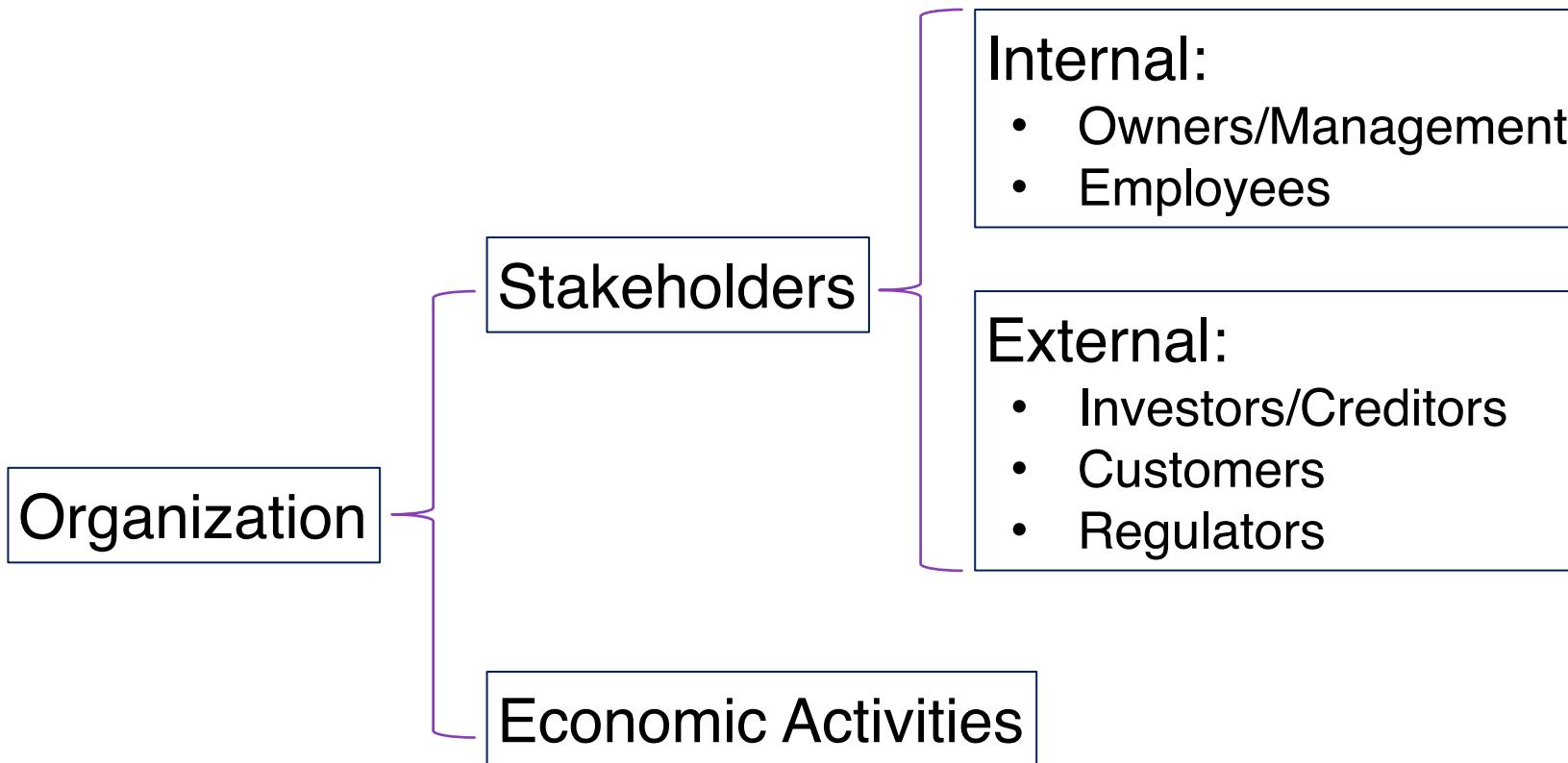
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College of Engineering
Northeastern University

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DEFINE ACCOUNTING AND ITS PURPOSES

Structure of an Organization

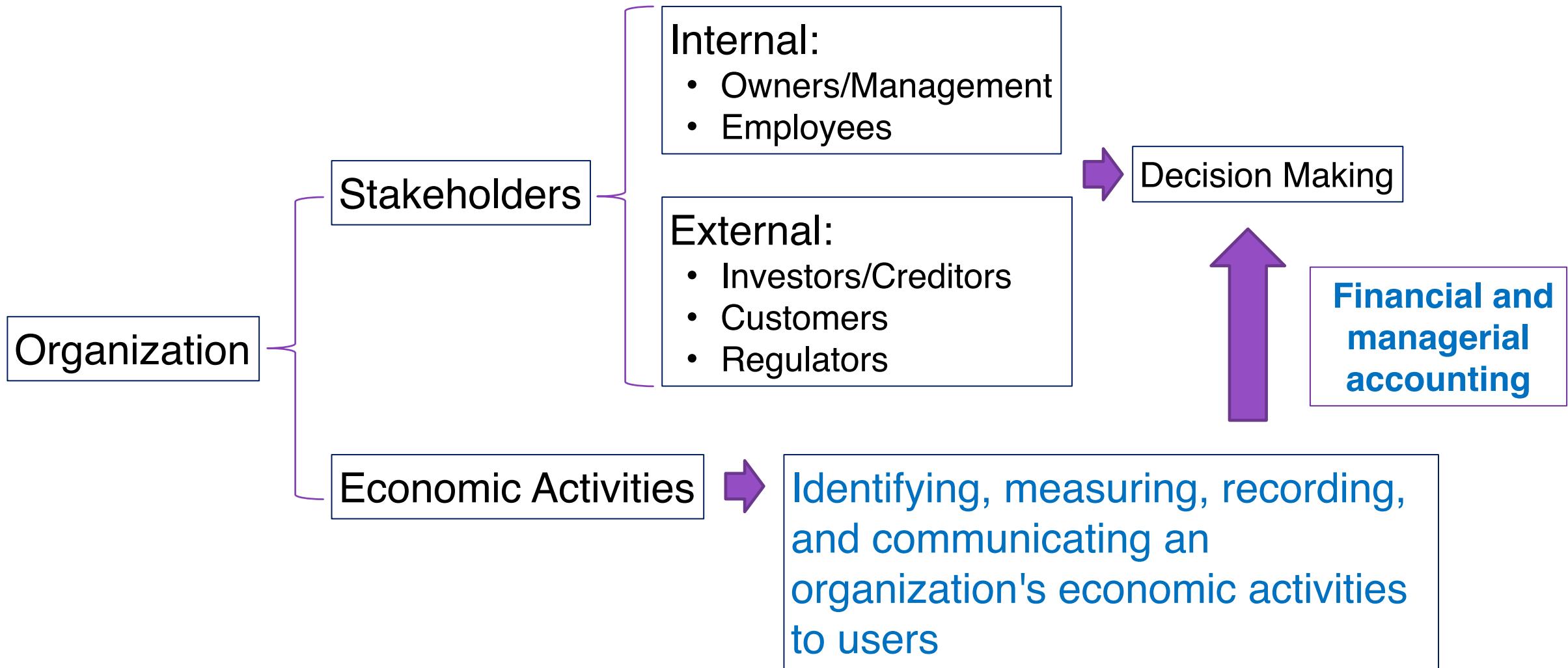


Accounting Defined

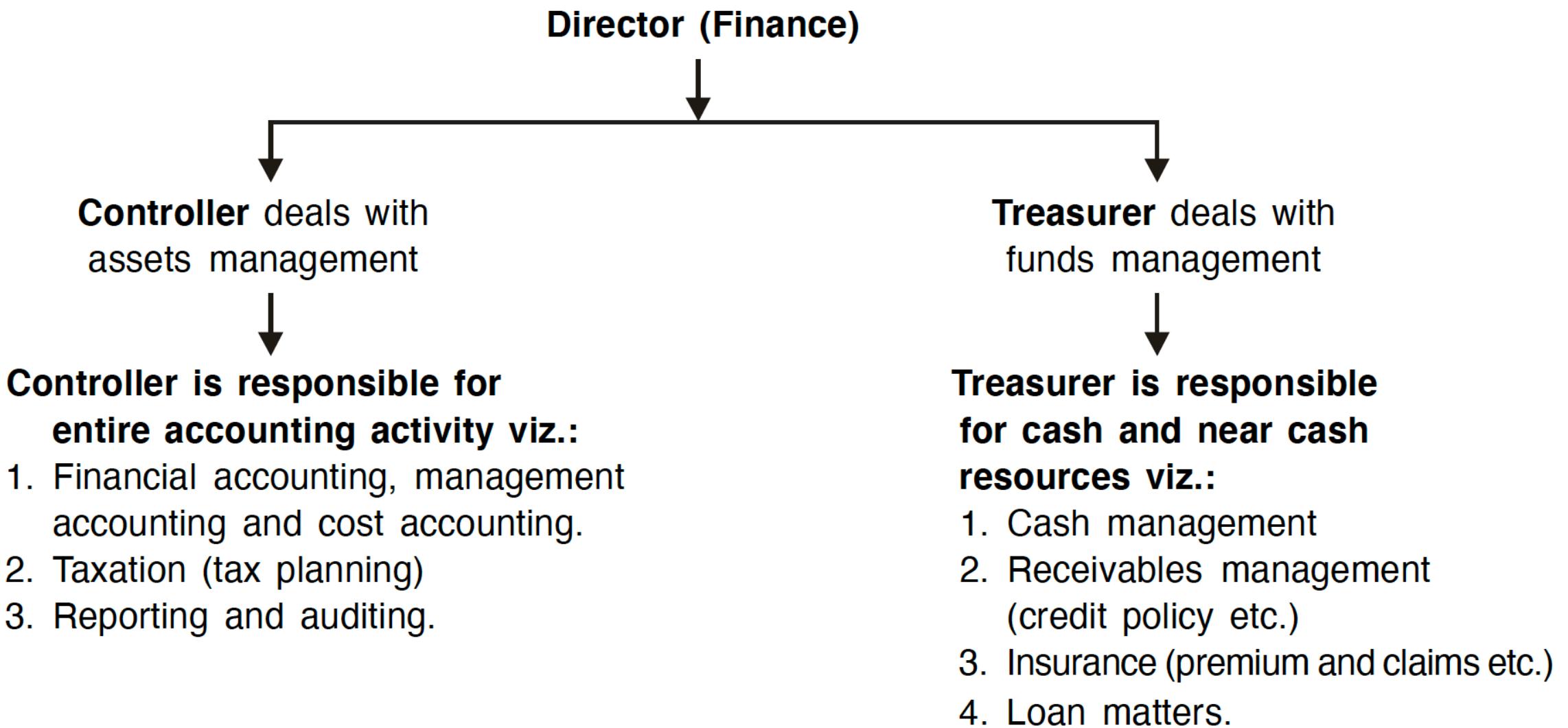
Accounting is the process of identifying, measuring, recording, and communicating an organization's economic activities to users.

- Users need information for decision making.
 - Internal users:
 - ✓ Work for the organization; responsible for planning, organizing, and operating the entity.
 - ✓ Managerial accounting serves the decision-making needs of internal users.
 - External users:
 - ✓ Include investors, creditors, labor unions, and customers.
 - ✓ Financial accounting is the area of accounting that focuses on external reporting and meeting the needs of external users.

Roles of Accounting



ORGANIZATION STRUCTURE FOR ACCOUNTING AND FINANCE ACTIVITY



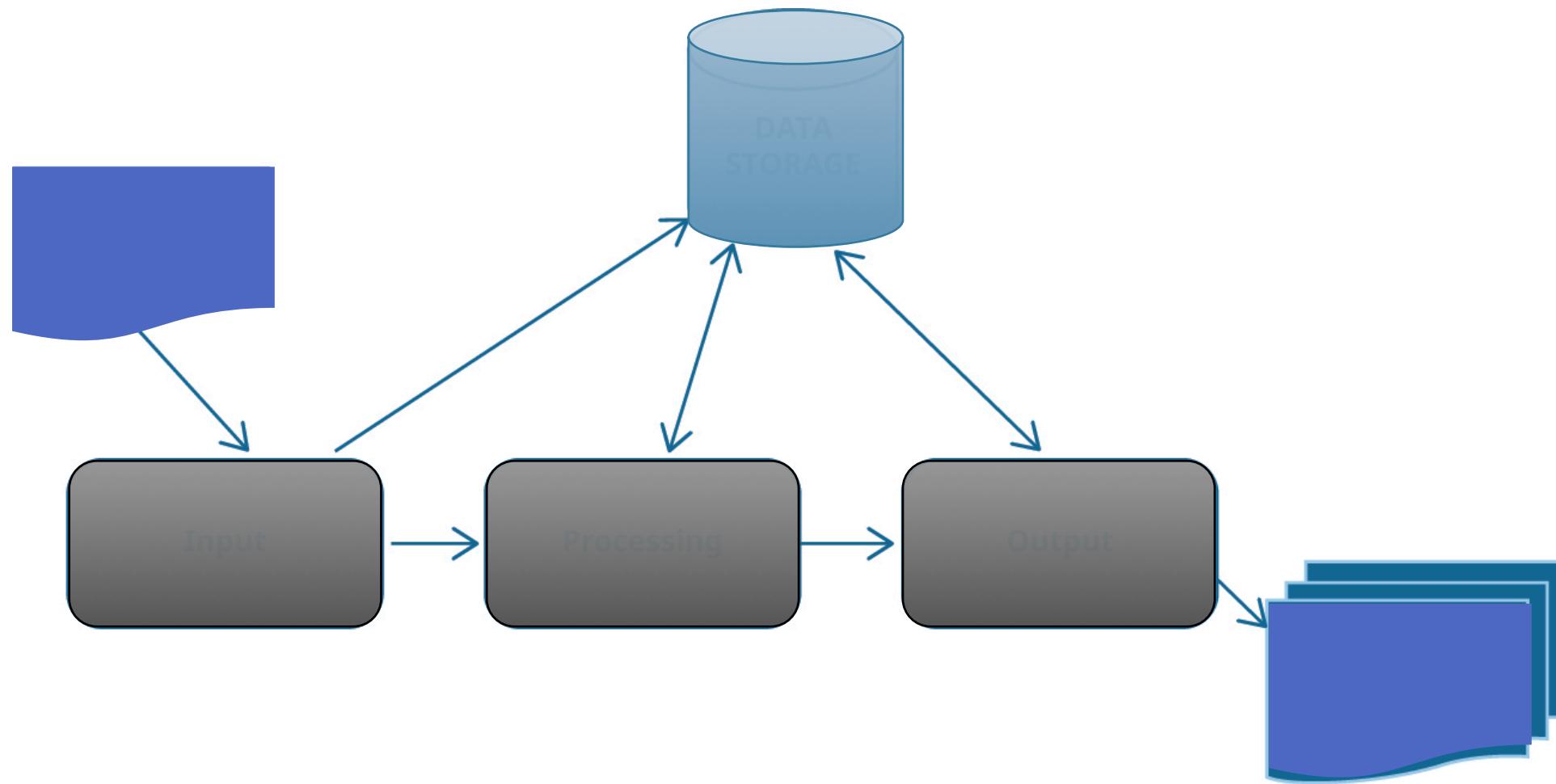
Common Computerized Accounting Systems

- QuickBooks
 - Designed for small organizations

- SAP and Oracle
 - Designed for large and/or multinational organizations
 - Customized to meet the unique informational needs of the entity

Accounting Information System:

The key functions performed by an accounting information system



Overall Structure of Module 1

By the end of this module, you will understand:

- **How the accounting information is being analyzed and processed;**
- How an accounting cycle is initiated and concluded
- How financial statements are prepared; and
- How business insights can be obtained from the output

The basics:

- GAAP
- Major classes of accounts
- Accounting documents
- Accounting equation
- Double-entry book-keeping system
- The financial statements

Generally Accepted Accounting Principles (GAAP)

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- GAAP
- Major classes of accounts
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- The financial statements



The accounting cycle:

- Analyze and process the accounting information



Overall Structure of Module 1

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- How an accounting cycle is initiated and concluded
- **How financial statements are prepared; and**
- How business insights can be obtained from the output

Preparing financial statements:

- 
- Income Statement
 - Statement of Shareholders' Equity
 - Balance Sheet
 - Statement of Cash Flows

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Preparing financial statements:

- Income Statement
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- Balance Sheet
- Statement of Cash Flows



Financial statement analysis:

- Liquidity
- Solvency
- Efficiency
- Profitability





Generally Accepted Accounting Principles (GAAP)

Accounting Information Must Possess the Quality of:

Relevance

- Has the ability to make a difference in the decision-making process

Verifiability

- Others are able to confirm that the information faithfully represents the economic activities of the business

Faithful representation

- Is complete, neutral, and free from error

Timeliness

- Is available to decision makers in time to be useful

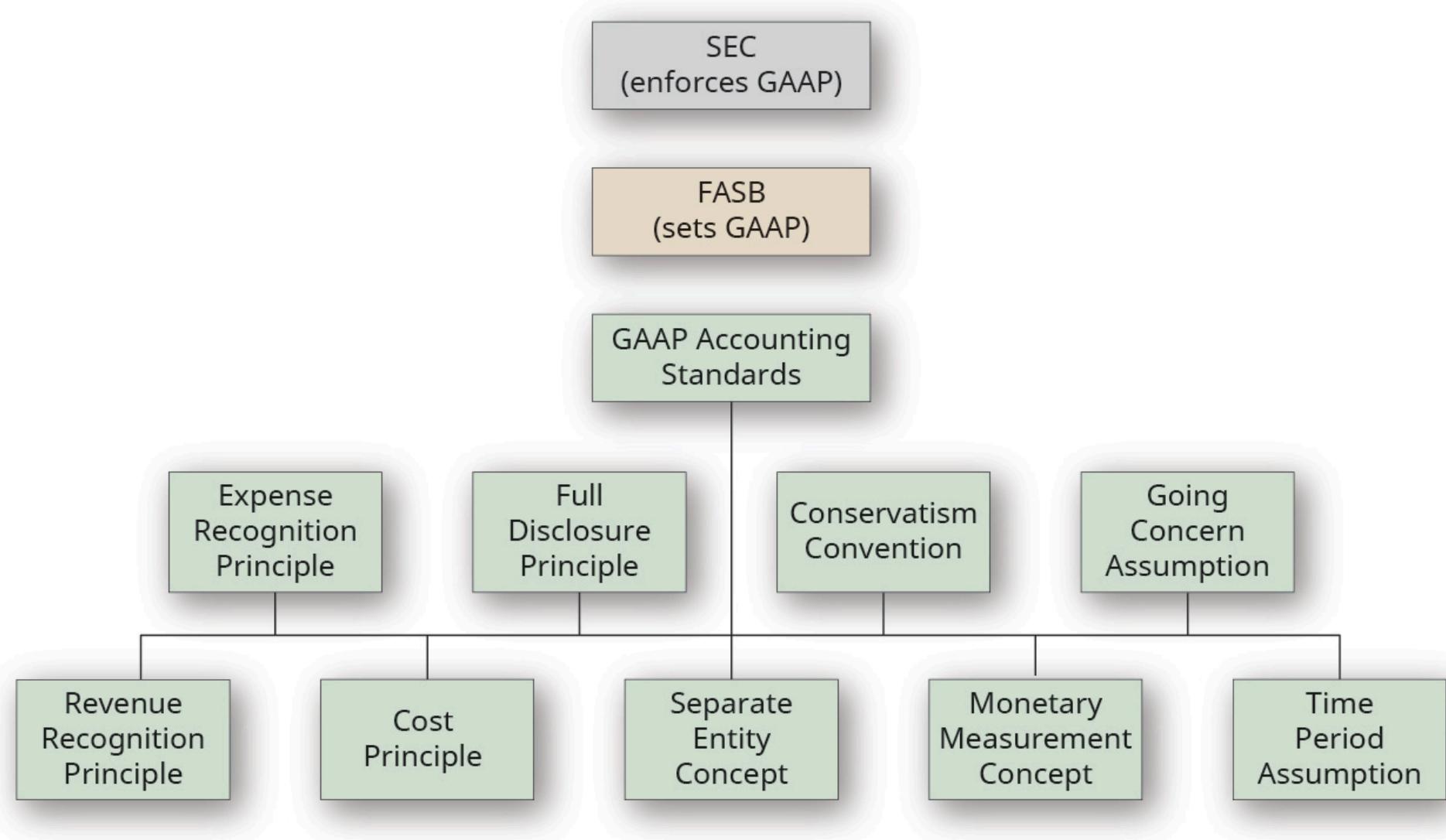
Comparability

- Tells users of the information that businesses utilize similar accounting practices

Understandability

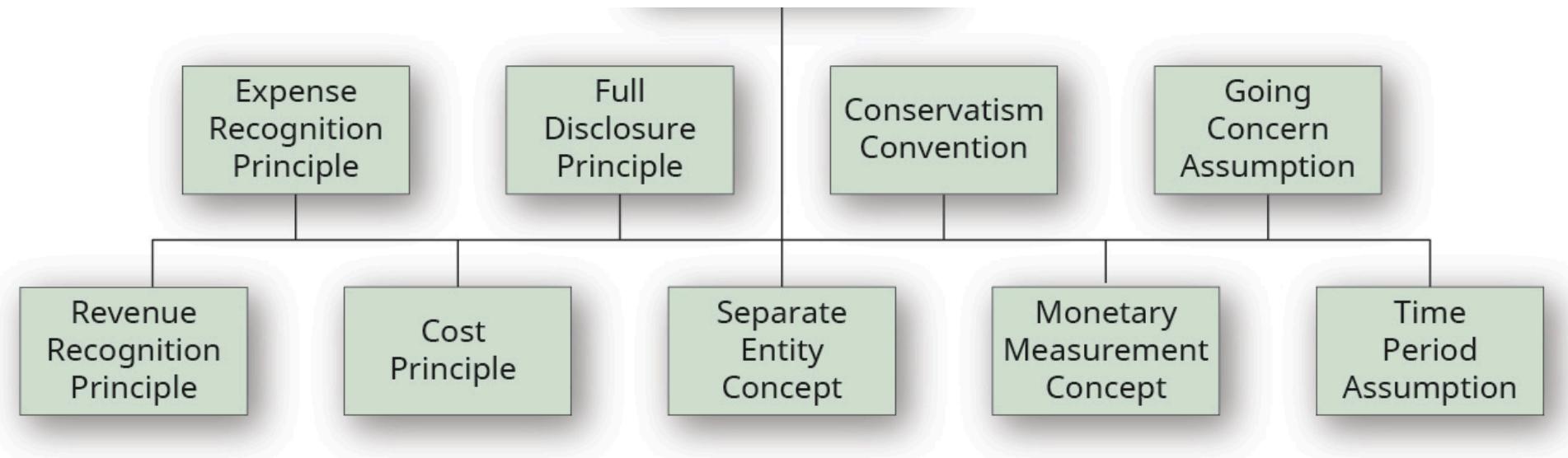
- Is clear and concise

GAAP Accounting Standards Connection Tree



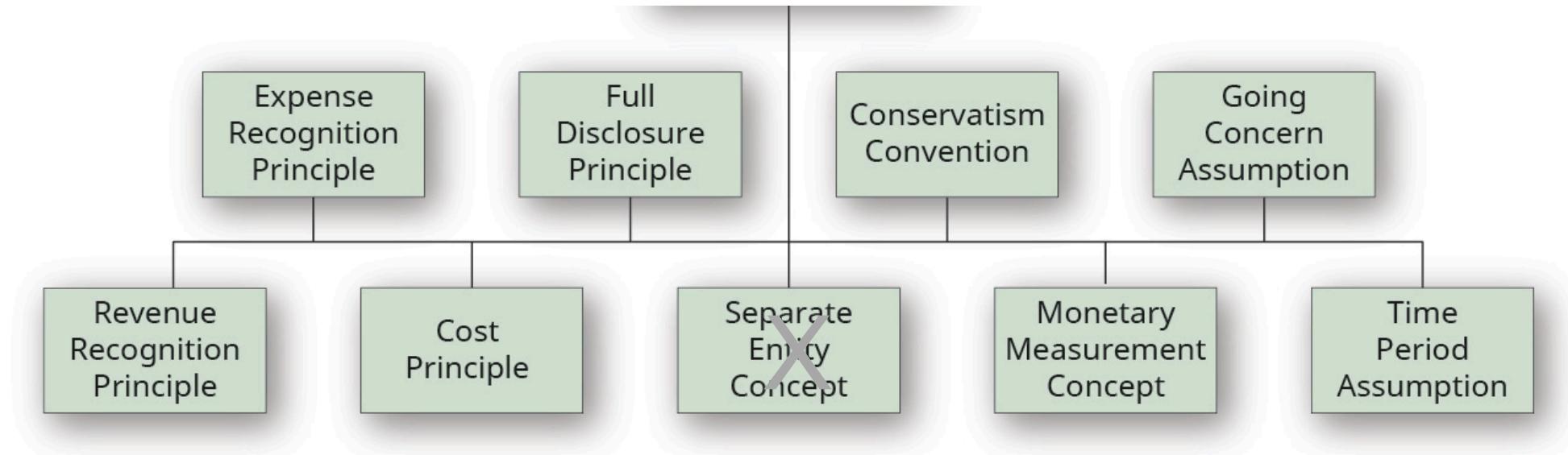
GAAP Accounting Standards Connection Tree

- A business may only report activities on financial statements that are specifically related to company operations, not those activities that affect the owner personally.

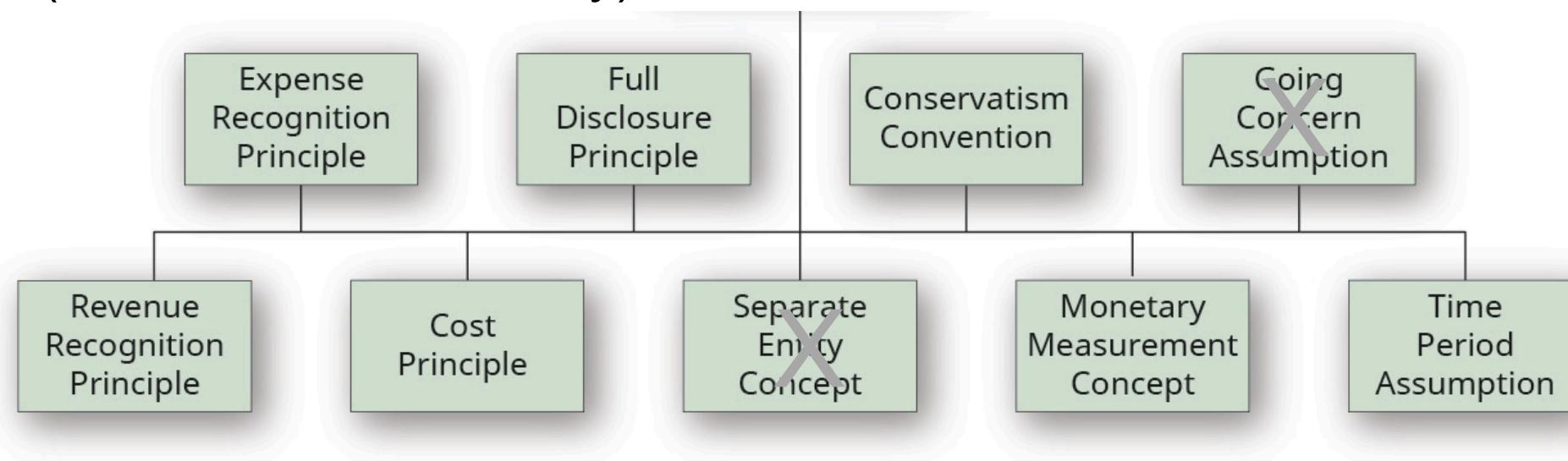


GAAP Accounting Standards Connection Tree

- Assumes a business will continue to operate in the foreseeable future.
- One should presume the business is doing well enough to continue operations unless there is evidence to the contrary.

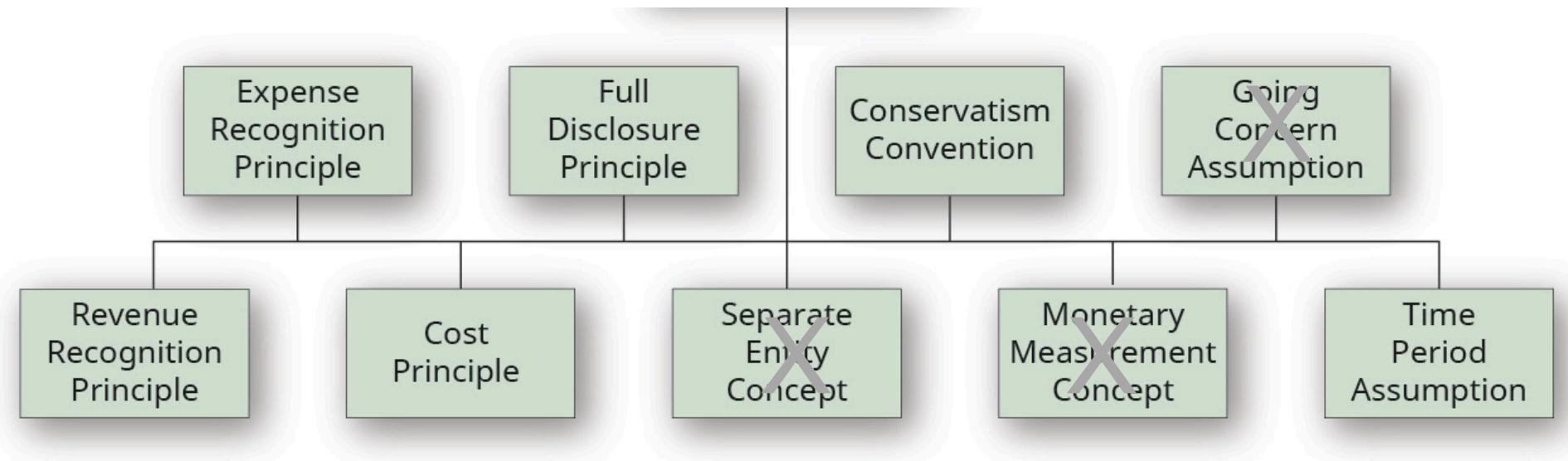


- In order to record a transaction, we need a system of monetary measurement, or a monetary unit by which to value the transaction (USD in the United States).
- Without this system, it would be impossible to record information in the financial records. It also would leave stakeholders unable to make financial decisions, because there is no comparability measurement between companies.
- This concept ignores any change in the purchasing power of the USD due to inflation (nominal units of money).



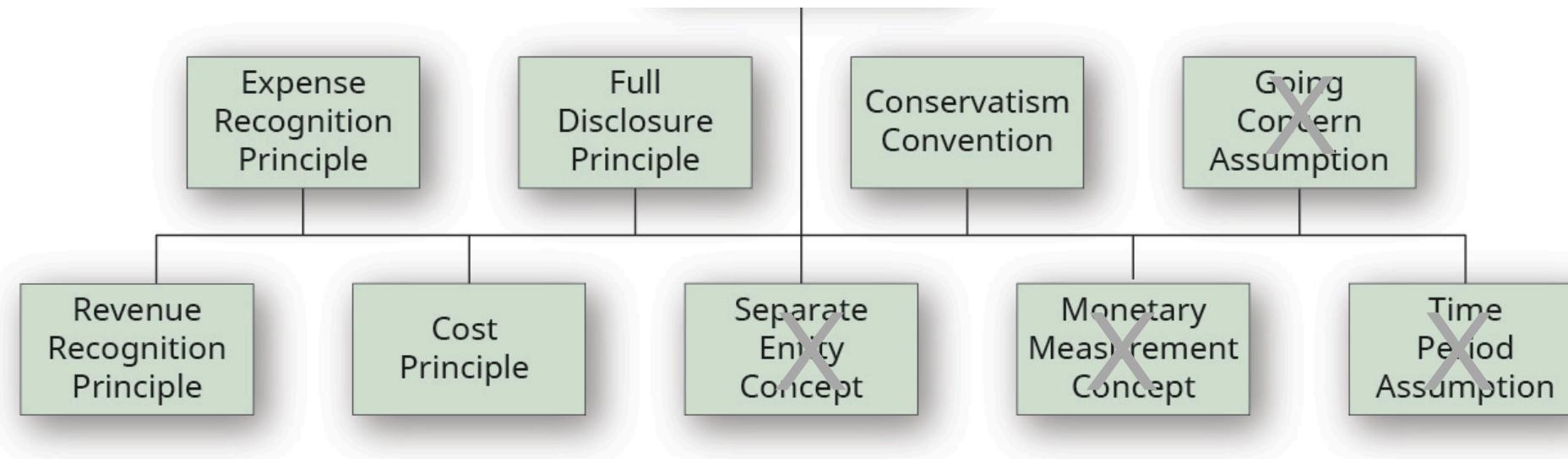
GAAP Accounting Standards Connection Tree

- A company can present useful information in shorter time periods, such as years, quarters, or months.
- The information is broken into time frames to make comparisons and evaluations easier.



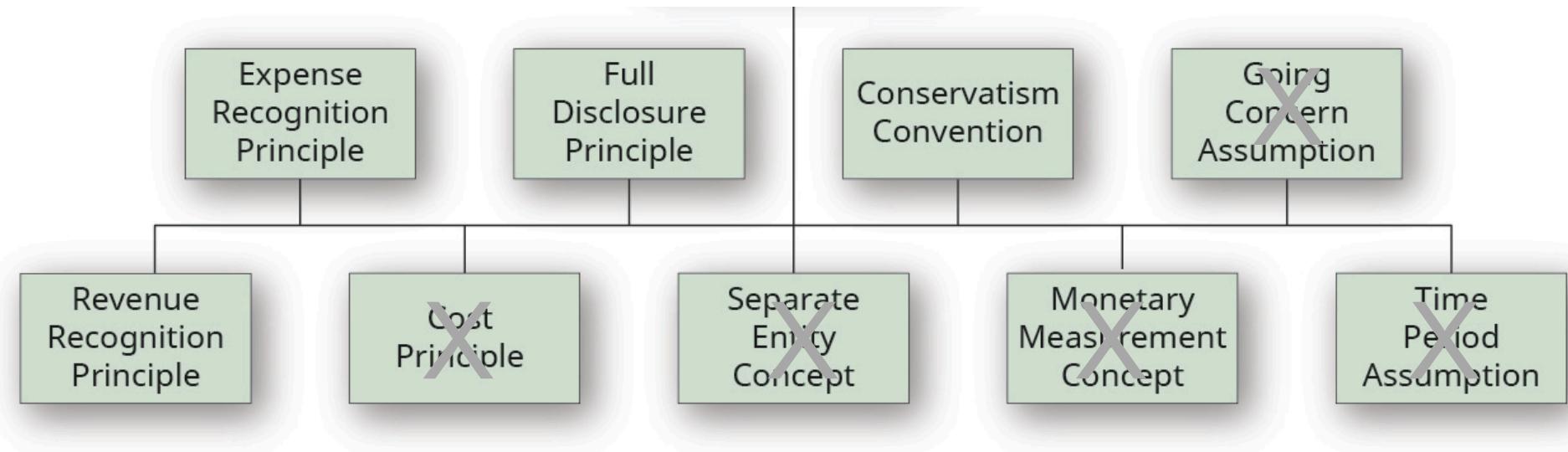
GAAP Accounting Standards Connection Tree

- Everything the company owns or controls (assets) must be recorded at its value at the date of acquisition.
- Exceptions: financial instruments (recorded at their fair market value)



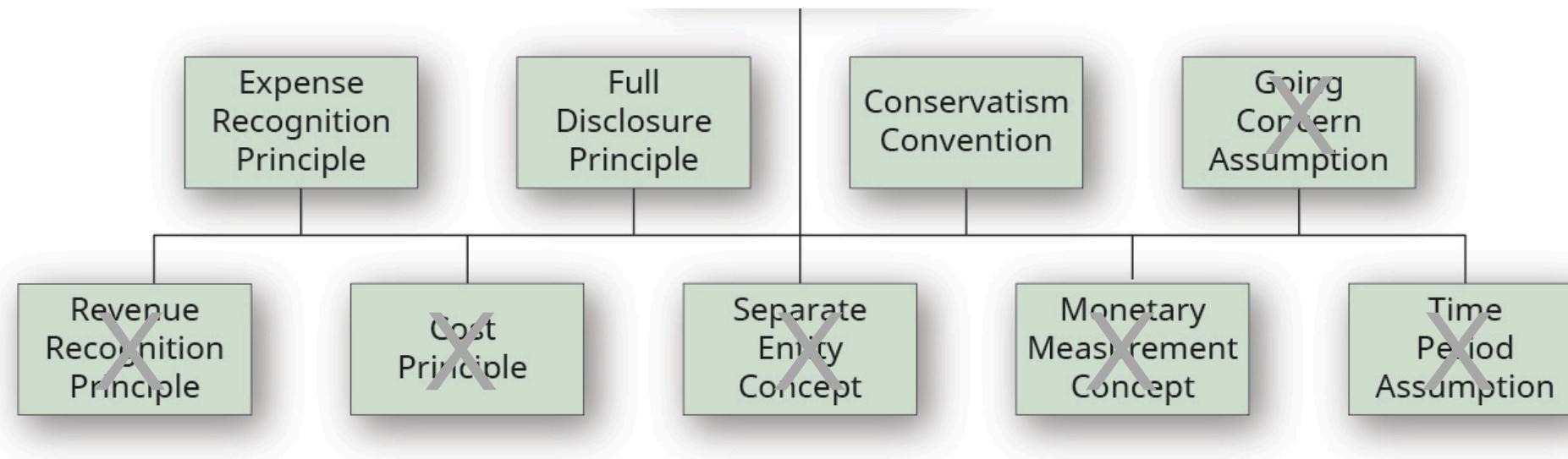
GAAP Accounting Standards Connection Tree

- Directs a company to recognize revenue in the period in which it is earned; revenue is not considered earned until a product or service has been provided.
- This means the period of time in which you performed the service/gave the customer the product is the period in which rev. is recognized.
- No correlation between when cash is collected and when revenue is recognized.



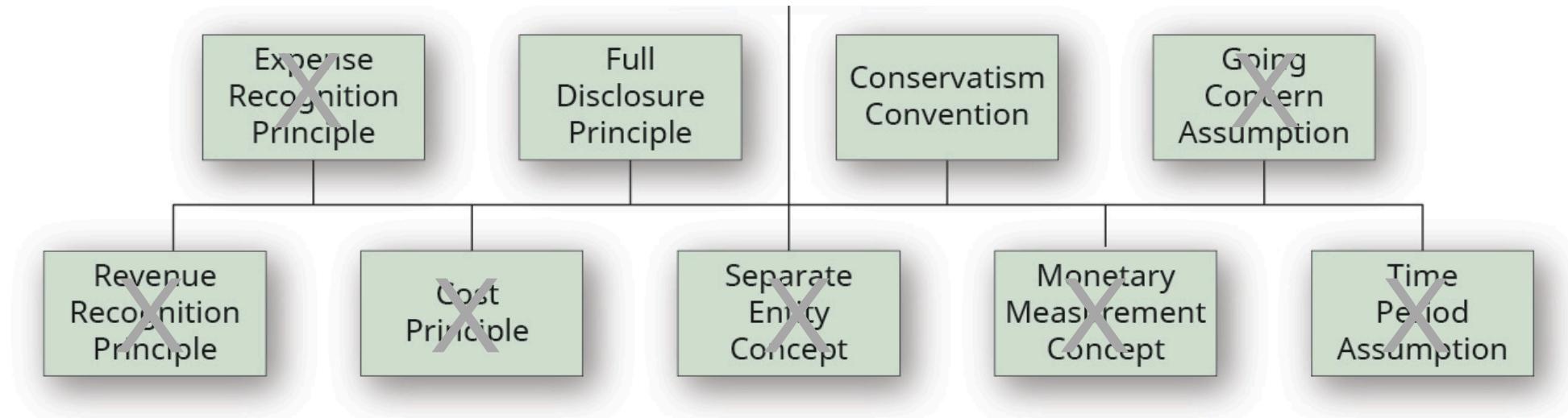
GAAP Accounting Standards Connection Tree

- States that we must match expenses with associated revenues in the period in which the revenues were earned.
- Also referred to as the matching principle.



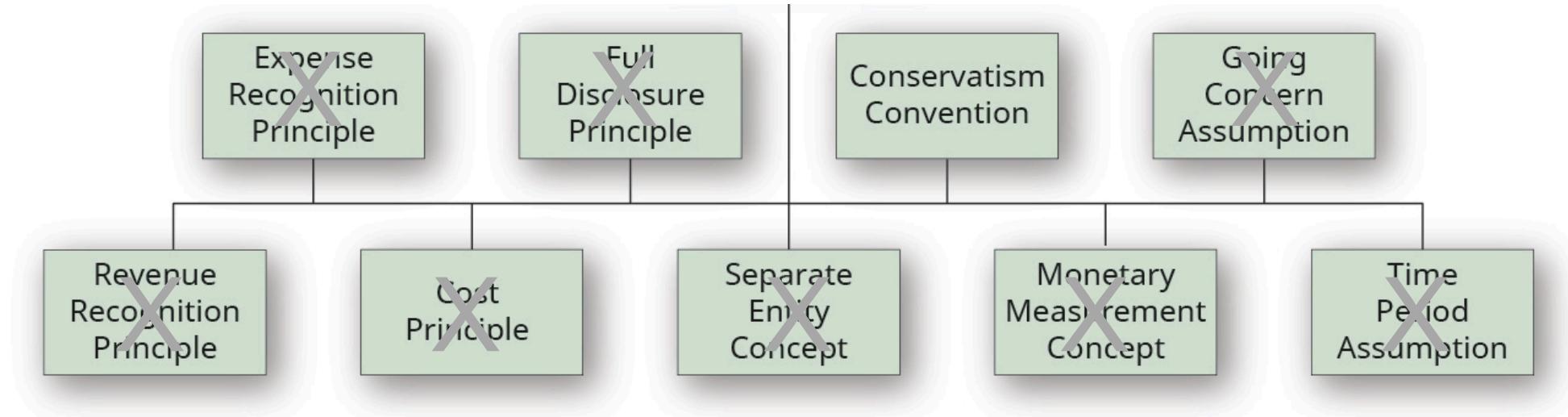
GAAP Accounting Standards Connection Tree

- States that a business must report any business activities that could affect what is reported on the financial statements.
- These activities could be non-financial in nature or be supplemental details not readily available on the main financial statement.
- Usually recorded in footnotes on the statements, or in addenda to the statements.



GAAP Accounting Standards Connection Tree

- States that if there is uncertainty in a potential financial estimate, a company should err on the side of caution and report the most conservative amount.
- Important when valuing a transaction for which the dollar value cannot be as clearly determined.



Accounting Records: Document, Journal, and Ledger

ACCOUNTING RECORDS: DOCUMENT

Source Documents

- Economic events result in the creation of some documents at the beginning (the source) of the transaction.
- These are called source documents and are used to capture and formalize transaction data that the transaction cycle uses for processing.

Product Documents

- They are the result of transaction processing rather than the triggering mechanism for the process.
 - For example, a payroll check to an employee is a product document of the payroll system.

Turnaround Documents

- Product documents of one system that become source documents for another system.

Example: Documents Used and Generated in a Sales Process

Source document:

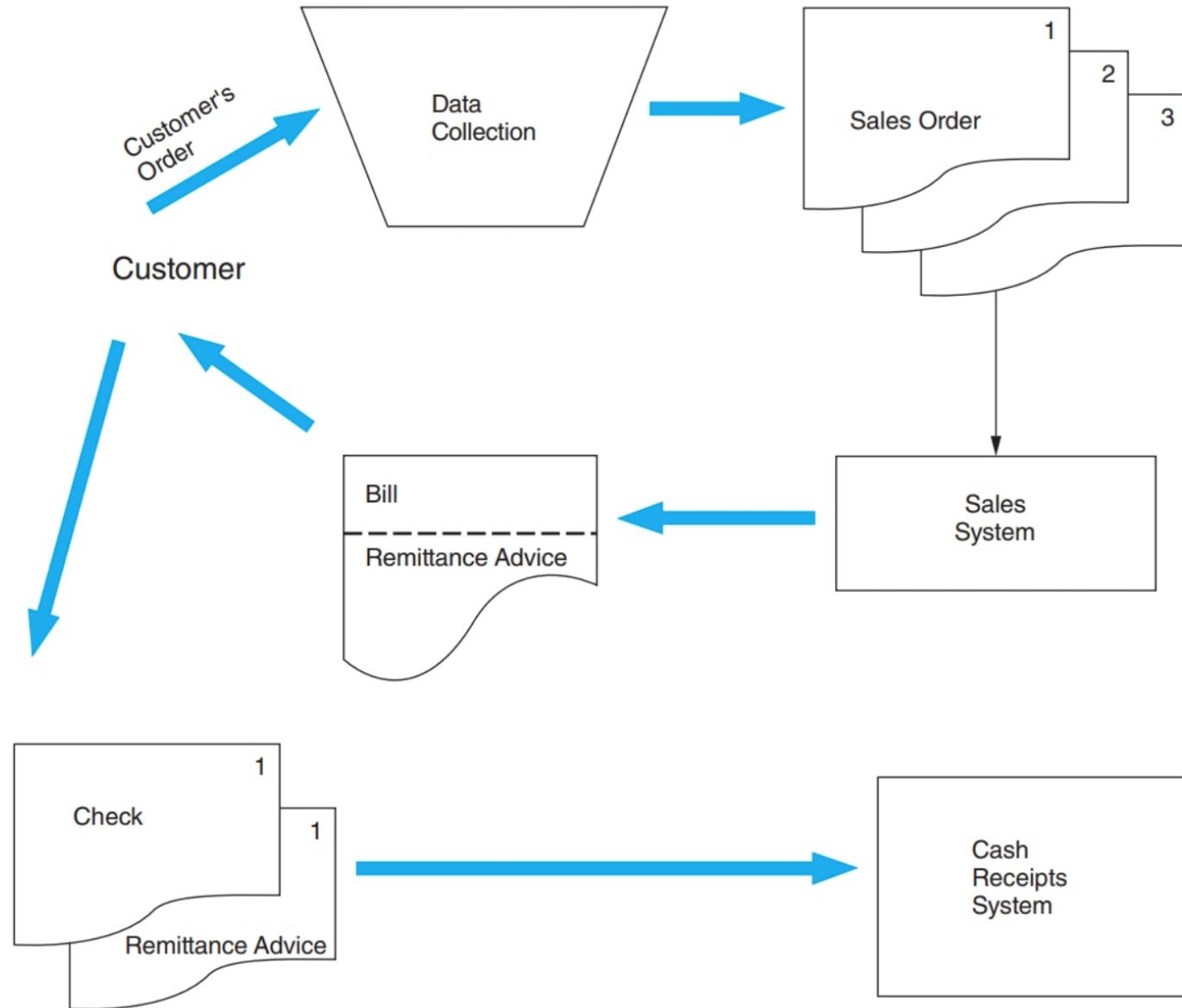
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Product document:

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Turnaround document:

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ACCOUNTING RECORDS: JOURNALS

- A *journal* is a chronological record of financial transactions.
 - **Journal entry:**
 - At some point during the transaction process, when all relevant facts about the transaction are known, the event is recorded in a journal in *chronological* order.
- The primary **sources** of data entry into journals are documents.

TWO CLASSES OF JOURNALS

General Journal

- Firms use the general journal to record nonrecurring, infrequent, and dissimilar transactions.
 - For example, depreciation and closing entries are typically recorded in the ~

Special Journal

- A journal used to record a large number of repetitive transactions such as
 - Credit sales, cash receipts, purchases, and cash disbursements

GENERAL JOURNAL

PAGE

	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1	Sept. 1, 20xx	Depreciation Expense	520	5 0 0 0		1
2		Accumulated Depreciation	210		5 0 0 0	2
3						3
4	Sept. 2, 20xx	Insurance Expense	525	1 2 0 0		4
5		Prepaid Insurance	180		1 2 0 0	5
6						6
7	Sept. 3, 20xx	Cash	101	1 1 0 0 0		7
8		Capital Stock	310		1 1 0 0 0	8
9						9
10						10
11						11
12						12

Special journal example: a sales journal

Date	Customer	Invoice Num.	Acct. Num.	Post	Debit	Credit Sales #401
					Acct. Rec. #102	
Sept. 1	Hewitt Co.	4523	1120		3300	3300
15	Acme Drilling	8821	1298		6825	6825
Oct. 3	Buell Corp.	22987	1030		4000	4000
10	Check Ltd.	66734	1110		8500	8500

ACCOUNTING RECORDS

■ Documents

- Source documents
- Product documents
- Turnaround documents

■ Journal (chronological records)

- General journal
- Special journal

■ Ledger (organized by accounts)

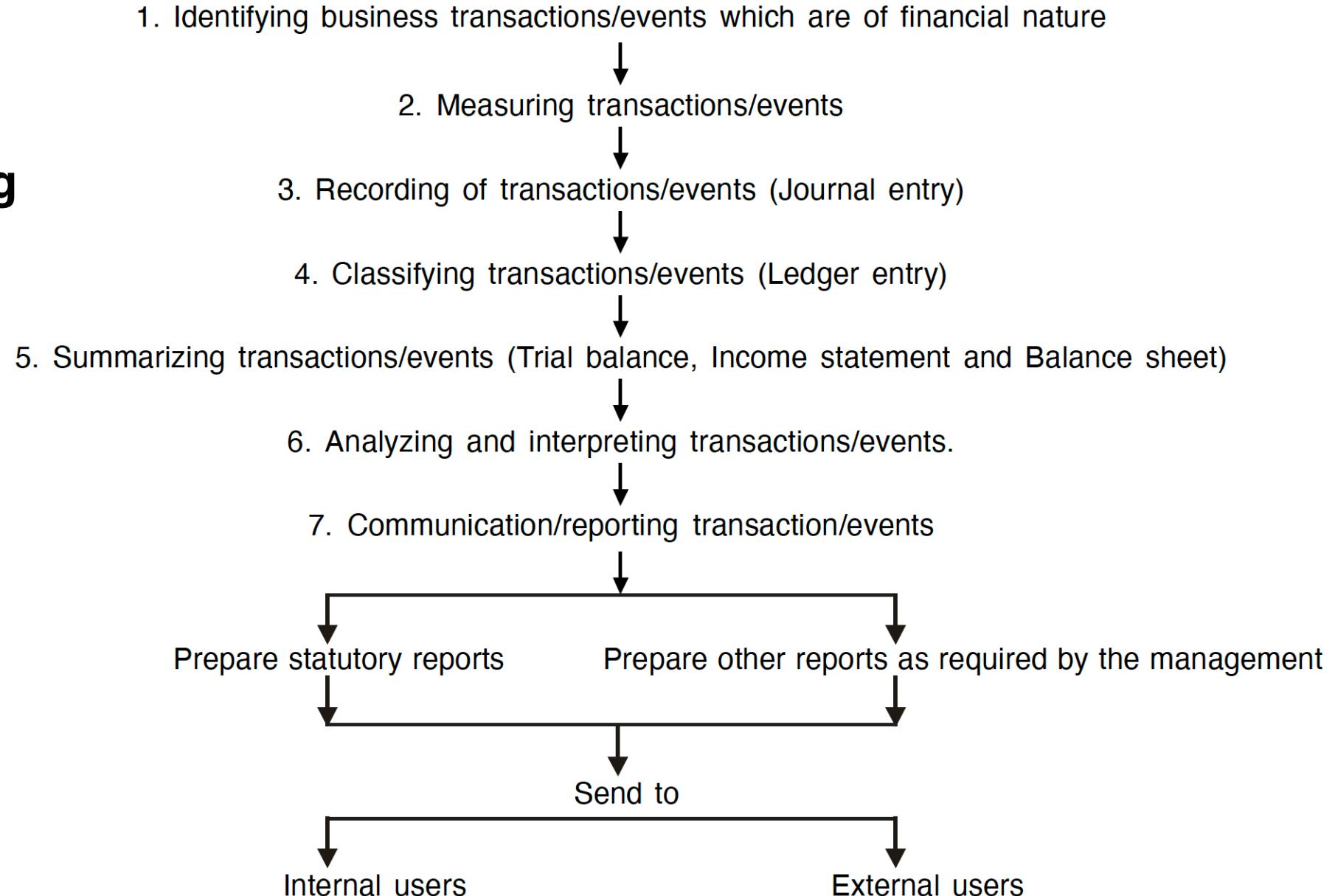
➤ General ledger

- A ledger that contains summary-level data for every asset, liability, equity, revenue, and expense account of the organization.
- Examples: AR, AP

➤ Subsidiary ledger

- A ledger used to record detailed data for a general ledger account with many individual subaccounts
- Breaks down certain general ledger accounts to provide more detailed information to users

Accounting Information Flow / Steps in Accounting Process





Five Classes of Accounts

FIVE CLASSES OF ACCOUNTS

1. Assets
2. Liabilities
3. Equity
4. Revenues
5. Expenses

FIVE CLASSES OF ACCOUNTS: DEFINITION

1. Assets
2. Liabilities
3. Equity
4. Revenues
5. Expenses

What are _____?

- Probable future sacrifice of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events
 - Current _____: debt or obligation due within one year or, in rare cases, a company's standard operating cycle, whichever is greater
 - Non-current _____: _____ that is expected to be settled in more than one year

FIVE CLASSES OF ACCOUNTS: DEFINITION

1. Assets
2. Liabilities
3. Equity
4. Revenues
5. Expenses

What are _____?

- Tangible or intangible resource owned or controlled by a company, individual, or other entity with the intent that it will provide economic value
 - Current _____ = _____ that will be used or consumed in one year or less
 - Noncurrent _____ = _____ that will be used or consumed over more than one year

What is _____?

- Residual interest in the assets of an entity that remains after deducting its _____.
 - _____: corporation's primary class of stock issued, with each share representing a partial claim to ownership or a share of the company's business
 - _____: cumulative, undistributed net income or net loss for the business since its inception. = **net income - dividends**

FIVE CLASSES OF ACCOUNTS: DEFINITION

1. Assets
2. Liabilities
3. Equity
4. Revenues
5. Expenses

What are _____ ?

- Inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations

What are _____ ?

- Cost associated with providing goods or services

FIVE CLASSES OF ACCOUNTS: EXAMPLES

1. Assets
2. Liabilities
3. Equity
4. Revenues
5. Expenses

Accounts Payable (AP)	2	Land	1
Accounts Receivable (AR)	1	Notes Payable	2
Bonds Payable	2	Raw Material Expense	5
Building	1	Retained Earnings	3
Cash	1	Sales	4
Common Stock	3	Service Revenue	4
Equipment	1	Supplies	1
Fees Earned	4	Unearned Revenue	2
Prepaid Insurance	1	Utility	5
Interest payable	2	Wage Payable	2
Interest expense	5	Wage Expense	5
Inventory	1	Warranty Liability	2

Chart of Accounts (1)

ACCOUNT

CODE

ACCOUNT NAME

100–199	Current Assets
101	Checking Account
102	Savings Account
103	Petty Cash
120	Accounts Receivable
125	Allowance for Doubtful Accounts
130	Notes Receivable
150	Inventory
160	Supplies
170	Prepaid Rent
180	Prepaid Insurance
200–299	Noncurrent Assets
200	Land
210	Buildings
215	Accumulated Depreciation—Buildings
230	Equipment
235	Accumulated Depreciation—Equipment
240	Furniture & Fixtures
245	Accumulated Depreciation—Furniture & Fixtures
250	Other Assets

ACCOUNT

CODE

ACCOUNT NAME

300–399	Liabilities
300	Accounts Payable
310	Wages Payable
321	Employee Income Tax Payable
322	FICA Tax Payable
323	Federal Unemployment Tax Payable
324	State Unemployment Tax Payable
330	Accrued Interest Payable
360	Other Liabilities
400–499	Equity Accounts
400	Common Stock
410	Retained Earnings

Chart of Accounts (2)

ACCOUNT
CODE
ACCOUNT NAME
500–599 Revenues

501 Cash Sales

502 Credit Sales

510 Sales Returns & Allowances

511 Sales Discounts

520 Interest Revenue its

530 Miscellaneous Revenue

600–799 Expenses

600 Cost of Goods Sold

611 Wages Expense

612 Commissions Expense

613 Payroll Tax Expense

620 Rent Expense

630 Insurance Expense

640 Supplies Expense

650 Bad Debt Expense

701 Depreciation Expense—Buildings

702 Depreciation Expense—Equipment

703 Depreciation Expense—Furniture & Fixtures

710 Income Tax Expense

900–999 Summary Accounts

910 Income Summary



Normal Balance of Major Accounts

A L E | R E

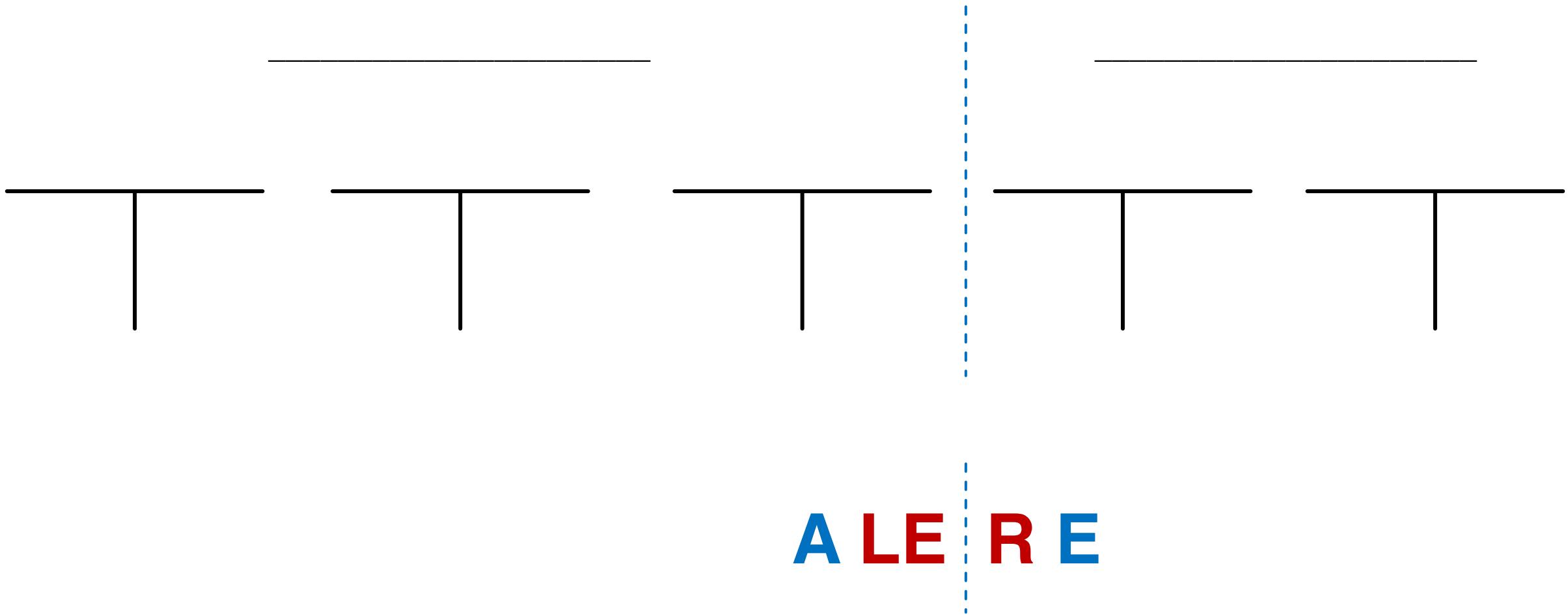
Assets and Expenses have what is known as a normal debit balance.

- This simply means that the balance of that item will increase if it is debited, and it will decrease if it is credited.

Liabilities, Equity, and Revenue have normal credit balances.

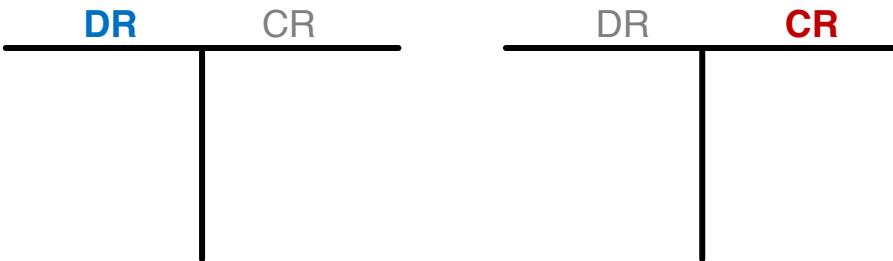
- This means that in order to increase any of these accounts, you would need to credit them.

NORMAL BALANCE OF MAJOR ACCOUNTS

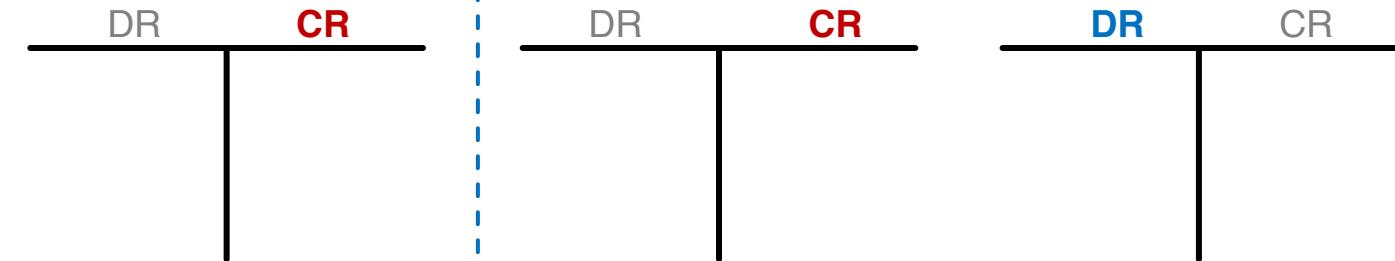


NORMAL BALANCE OF MAJOR ACCOUNTS

Balance Sheet



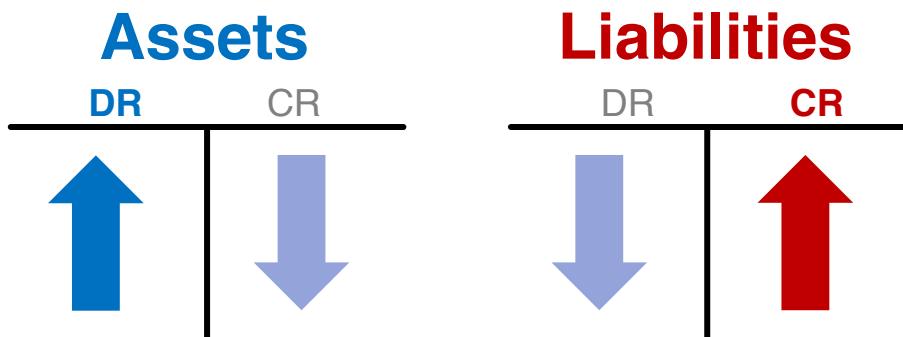
Income Statement



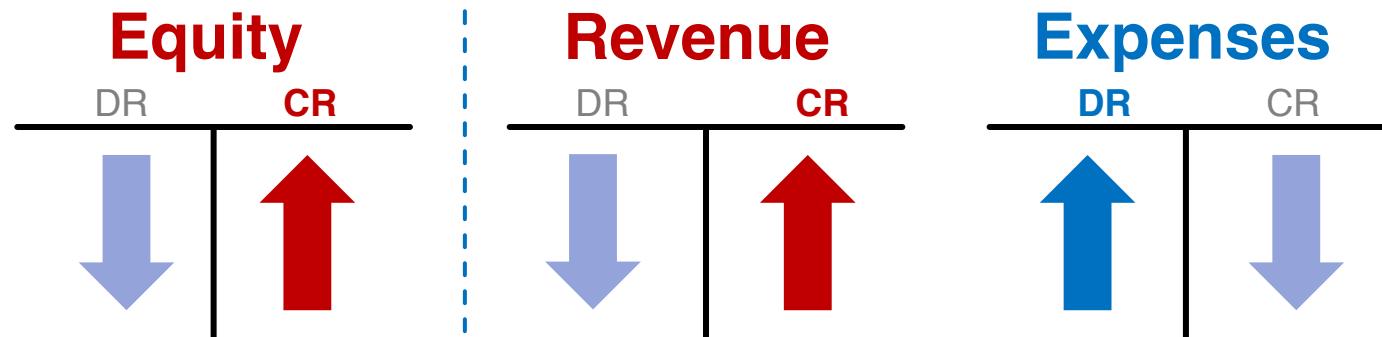
A L E | R E

NORMAL BALANCE OF MAJOR ACCOUNTS

Balance Sheet



Income Statement



A L E | R E

CONTRA ACCOUNTS

- A *contra account* is an account that is related to another account and typically has an opposite normal balance that is subtracted from the balance of its related account on the financial statements.
 - Contra accounts to sales or revenue (contra revenue accounts):
 - Sales returns
 - Sale discounts
 - Allowance for doubtful accounts (a contra accounts receivable account)
 - Accumulated depreciation (a contra fixed assets account)

FOUR FINANCIAL STATEMENTS

1. The Income Statement
2. The Statement of Shareholders' Equity
3. The Balance Sheet
4. The Statement of Cash Flows

1. INCOME STATEMENT

Big Dog Carworks Corp.		
Income Statement		
For the Month Ended January 31, 2015		
<i>Revenues</i>		
Repair revenues		\$10,000
<i>Expenses</i>		
Rent expense	\$1,600	
Salaries expense	3,500	
Supplies expense	2,000	
Fuel expense	700	
Total expenses		7,800
Net income		<u>\$2,200</u>

The heading of the income statement includes three lines:

- i. The first line lists the business name.
- ii. The middle line indicates the financial statement that is being presented.
- iii. The last line indicates the time frame of the financial statement. Do not forget the income statement is for a period of time (the month of January in our example).

There are three columns:

- i. Going from left to right, the first column is the category heading or account.
- ii. The second column is used when there are numerous accounts in a particular category (Expenses, in our example).
- iii. The third column is a total column. In this illustration, it is the column where subtotals are listed and net income is determined (subtracting Expenses from Revenues).

The Income Statement

Big Dog Carworks Corp.	
Income Statement	
For the Month Ended January 31, 2015	
<i>Revenues</i>	
Repair revenues	\$10,000
<i>Expenses</i>	
Rent expense	\$1,600
Salaries expense	3,500
Supplies expense	2,000
Fuel expense	700
Total expenses	<hr/> 7,800
Net income	<hr/> <hr/> \$2,200

The heading shows the name of the entity, the type of financial statement, and the period-in-time date.

The net income is transferred to the statement of stockholders' equity.

Statement of Shareholders ' Equity

Big Dog Carworks Corp.
Statement of Stockholders' Equity
For the Month Ended January 31, 2015

	Common Stock	Retained Earnings	Total Equity
Opening balance			
Ending balance			

The heading shows the name of the entity, the type of financial statement, and the period-in-time date.

Statement of Shareholders ' Equity

Big Dog Carworks Corp.
Statement of Stockholders' Equity
For the Month Ended January 31, 2015

	Common Stock	Retained Earnings	Total Equity
Opening balance			
Stock issued			
Net income			
Dividends			
Ending balance			

Statement of Shareholders ' Equity

Big Dog Carworks Corp.
Statement of Stockholders' Equity
For the Month Ended January 31, 2015

	Common Stock	Retained Earnings	Total Equity
Opening balance	\$ -0-	\$ -0-	\$ -0-
Stock issued	10,000		10,000
Net income		2,200	2,200
Dividends		(200)	(200)
Ending balance	<u><u>\$10,000</u></u>	<u><u>\$2,000</u></u>	<u><u>\$12,000</u></u>

Statement of Shareholders' Equity

Big Dog Carworks Corp.
Statement of Stockholders' Equity
For the Month Ended January 31, 2015

	Common Stock	Retained Earnings	Total Equity
Opening balance	\$ -0-	\$ -0-	\$ -0-
Stock issued	10,000		10,000
Net income		2,200	2,200
Dividends		(200)	(200)
Ending balance	<u>\$10,000</u>	<u>\$2,000</u>	<u>\$12,000</u>

These totals are transferred to the balance sheet at January 31, 2015.

The Balance Sheet

Big Dog Carworks Corp.
Balance Sheet
At January 31, 2015

The heading shows the name of the entity, the type of financial statement, and the point-in-time date.

Assets	\$	Liabilities	\$
Cash	_____	Accounts payable	_____
Accounts receivable	_____	Unearned revenue	_____
Prepaid insurance	_____	Notes payable	_____
Equipment	_____	Total liabilities	_____ \$
Truck	_____		

Total assets	<u><u>\$</u></u> <u><u> </u></u>	Common stock	_____ \$
		Retained earnings	_____
		Total equity	_____
		Total liabilities and equity	<u><u>\$</u></u> <u><u> </u></u>

The Balance Sheet

Big Dog Carworks Corp.
Balance Sheet
At January 31, 2015

Assets	Liabilities
Cash \$ 3,700	Accounts payable \$ 700
Accounts receivable 2,000	Unearned revenue 400
Prepaid insurance 2,400	Notes payable 6,000
Equipment 3,000	Total liabilities \$ 7,100
Truck 8,000	
Total assets \$ 19,100	
Equity	
Common stock \$10,000	\$10,000
Retained earnings 2,000	2,000
Total equity 12,000	12,000
Total liabilities and equity \$ 19,100	<u><u>\$ 19,100</u></u>

The Balance Sheet

Big Dog Carworks Corp.
Balance Sheet
At January 31, 2015

Assets	Liabilities
Cash \$ 3,700	Accounts payable \$ 700
Accounts receivable 2,000	Unearned revenue 400
Prepaid insurance 2,400	Notes payable 6,000
Equipment 3,000	Total liabilities \$ 7,100
Truck 8,000	
Total assets \$ 19,100	
Equity	
Common stock \$ 10,000	
Retained earnings 2,000	
Total equity 12,000	
	Total liabilities and equity \$ 19,100

Total assets (\$19,100 here)
always equal Total liabilities
(\$7,100) plus Equity (\$12,000).

Differentiate Cash Flows From Operating, Investing, & Financing Activities

Operations



- Provided by sales/revenue
- Used in operations – expenses (vendors and employees) and inventory purchases

Investing



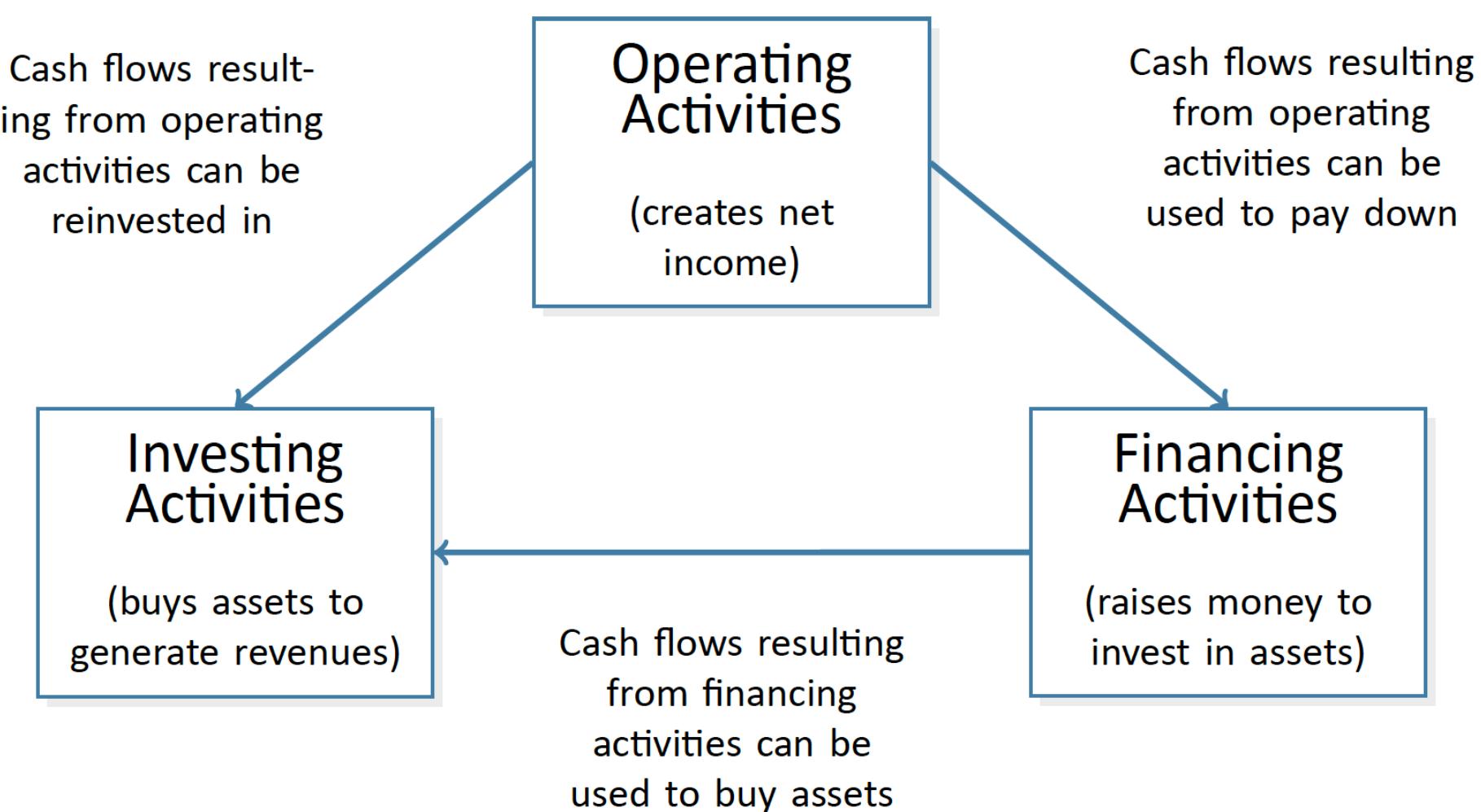
- Proceeds from the sale of fixed assets or other investments
- Used in purchasing new equipment, facilities, and investing excess cash into investment vehicles

Finance



- Provided via borrowings or equity infusions from shareholders
- Used for paying principal payments on debt owed and dividends or distributions paid out to shareholders

RELATIONSHIPS AMONG THE THREE TYPES OF BUSINESS ACTIVITIES



Statement of Cash Flows

Big Dog Carworks Corp.
Statement of Cash Flows
For the Month Ended January 31, 2015

The heading shows the name of the entity, the type of financial statement, and the period-in-time date.

Statement of Cash Flows

Big Dog Carworks Corp.
Statement of Cash Flows
For the Month Ended January 31, 2015

Operating activities:	
Net income	\$
Adjustments:	
Increase in accounts receivable	
Increase in prepaid insurance	
Increase in accounts payable	
Increase in unearned revenues	
Net cash used by operating activities	\$
Investing activities:	
Purchase of equipment	
Purchase of truck	
Net cash used by investing activities	\$
Financing activities:	
Issued shares of stock	
Borrowed from bank	
Payment on bank loan	
Paid dividends	
Net cash provided by financing activities	\$
Net increase in cash	
Cash balance, January 1	
Cash balance, January 31	\$

Statement of Cash Flows

Big Dog Carworks Corp.
Statement of Cash Flows
For the Month Ended January 31, 2015

Operating activities:	
Net income	\$ 2,200
Adjustments:	
Increase in accounts receivable	(2,000)
Increase in prepaid insurance	(2,400)
Increase in accounts payable	700
Increase in unearned revenues	400
Net cash used by operating activities	<u><u>\$ (1,100)</u></u>
Investing activities:	
Purchase of equipment	\$ (3,000)
Purchase of truck	(3,000)
Net cash used by investing activities	<u><u>\$ (6,000)</u></u>
Financing activities:	
Issued shares of stock	\$10,000
Borrowed from bank	3,000
Payment on bank loan	(2,000)
Paid dividends	(200)
Net cash provided by financing activities	<u><u>\$ 10,800</u></u>
Net increase in cash	3,700
Cash balance, January 1	-0-
Cash balance, January 31	<u><u>\$3,700</u></u>

Statement of Cash Flows

Big Dog Carworks Corp.
Statement of Cash Flows
For the Month Ended January 31, 2015

Operating activities:	
Net income	\$ 2,200
Adjustments:	
Increase in accounts receivable	(2,000)
Increase in prepaid insurance	(2,400)
Increase in accounts payable	700
Increase in unearned revenues	400
Net cash used by operating activities	<u><u>\$ (1,100)</u></u>
Investing activities:	
Purchase of equipment	\$ (3,000)
Purchase of truck	(3,000)
Net cash used by investing activities	<u><u>\$ (6,000)</u></u>
Financing activities:	
Issued shares of stock	\$10,000
Borrowed from bank	3,000
Payment on bank loan	(2,000)
Paid dividends	(200)
Net cash provided by financing activities	<u><u>\$ 10,800</u></u>
Net increase in cash	3,700
Cash balance, January 1	-0-
Cash balance, January 31	<u><u>\$ 3,700</u></u>

This agrees with the Cash amount shown on the Balance Sheet at January 31, 2015.



THE CLASSIFIED BALANCE SHEET

THE CLASSIFIED BALANCE SHEET

- A classified balance sheet organizes the asset and liability accounts into categories.
- The classification of asset and liability accounts into meaningful categories is designed to facilitate the analysis of balance sheet information by external users.

Assets	Liabilities
Current assets	Current liabilities
Long-term assets:	Long-term liabilities
Long-term investments	
Property, plant, & equipment	
Intangible assets	
Other assets	

CURRENT ASSETS

- Current assets are those resources that the entity expects to convert to cash, or to consume during the next year or within the operating cycle of the entity, whichever is longer:
 - ✓ Cash; short-term investments; notes receivable; merchandise inventory; supplies; prepaid expenses
- On the balance sheet, current assets are normally reported before non-current assets. They are listed by decreasing levels of *liquidity* — their ability to be converted into cash. Therefore, cash appears first under the current asset heading since it is already liquid.

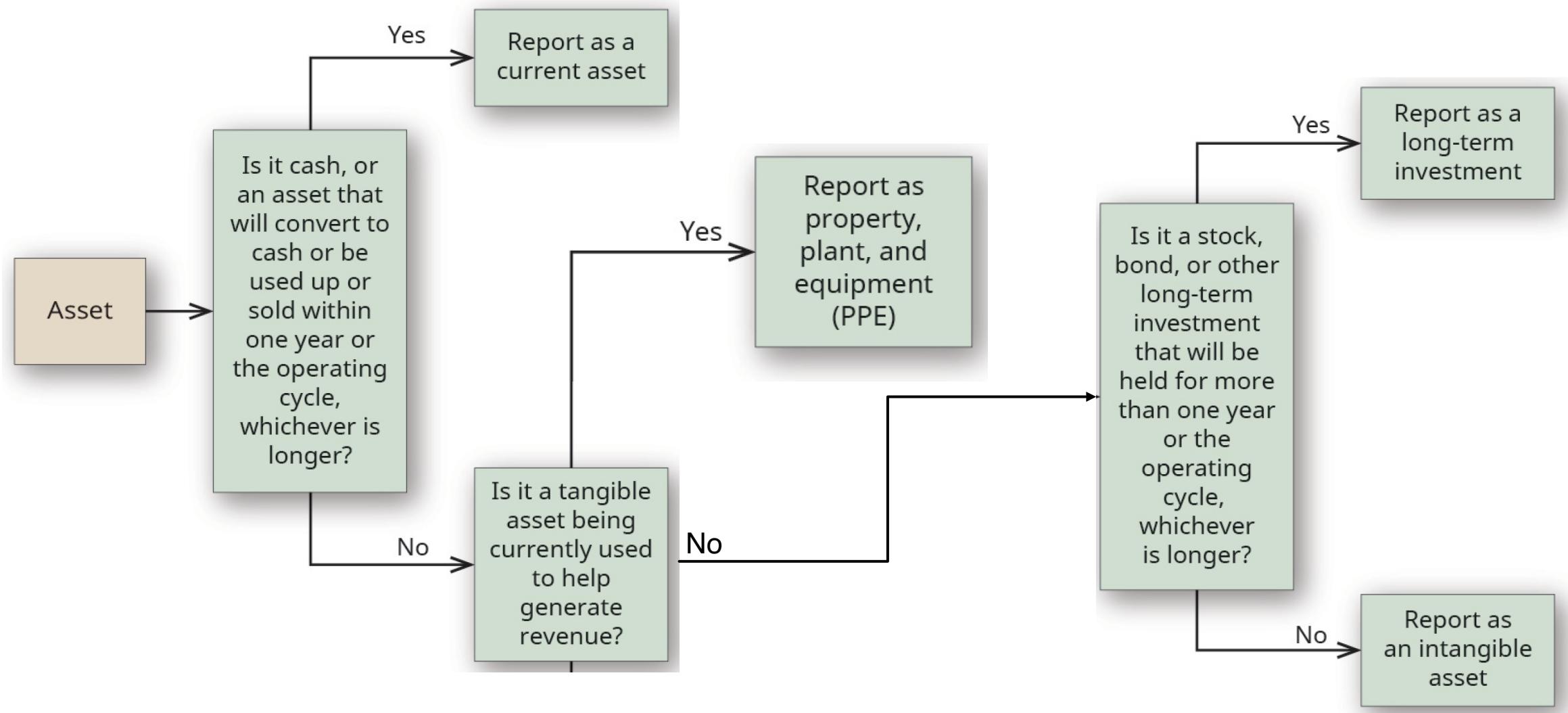
NON-CURRENT ASSETS: PPE

- Assets that will be useful for more than one year; they are sometimes referred to as long-lived assets.
 - Include property, plant, and equipment (PPE) items used in the operations of the business.
 - Some examples of PPE are:
 - a) land
 - b) buildings
 - c) equipment, and
 - d) motor vehicles such as trucks

NON-CURRENT ASSETS: INTANGIBLE ASSETS

- Other types of non-current assets include long-term investments and intangible assets.
 - ▶ Intangible assets are resources that do not have a physical form and whose value comes from the rights held by the owner.
 - ▶ They are used over the long term to produce or sell products and services and include:
 - ✓ copyrights
 - ✓ patents
 - ✓ trademarks, and
 - ✓ franchises

ASSET CLASSIFICATION FLOWCHART



CURRENT LIABILITIES

- Obligations that must be paid within the next 12 months or within the entity's next operating cycle, whichever is longer.
- They are shown first in the liabilities section of the balance sheet and generally listed in order of maturity (their due dates).
- The order of liabilities is not as structured as that of assets and may vary somewhat from company to company.
- Examples:
 - ✓ AP, unearned revenue, accrued liabilities such as interest payable and wages payable, income taxes payable, the current portion of long-term liabilities

NON-CURRENT LIABILITIES

- Also referred to as long-term liabilities
- Borrowings that do not require repayment for more than one year, such as the long-term portion of a bank loan or a mortgage.
 - A mortgage is a liability that is secured by real estate.

3. THE CLASSIFIED BALANCE SHEET

Big Dog Carworks Corp. Balance Sheet At December 31, 2018					
	Assets		Liabilities		
	2018	2017	2018	2017	
<i>Current assets</i>			<i>Current liabilities</i>		
Cash	\$ 10,800	\$ 12,000	Accounts payable	\$ 24,000	\$ 22,000
Accounts receivable	26,000	24,000	Income taxes payable	15,000	10,000
Merchandise inventories	120,000	100,000	Current portion of long-term notes	39,000	82,250
Prepaid expenses	1,200	570	Total current liabilities	\$ 78,000	\$114,250
Total current assets	\$158,000	\$136,570			
<i>Property, plant, and equipment (Note 4)</i>	126,645	10,430			
			<i>Long-term liabilities</i>		
			Notes payable (Note 5)	163,145	-0-
			Total liabilities	\$241,145	\$114,250
			<i>Equity</i>		
			Common stock (Note 6)	\$ 11,000	\$ 11,000
			Retained earnings	32,500	21,750
			Total equity	43,500	32,750
Total assets	\$284,645	\$147,000	Total liabilities and equity	\$284,645	\$147,000

Notes are included at the end of the financial statements. Among other purposes, they provide details about a particular category on the balance sheet or income statement.

Apple Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

	December 28, 2019	September 28, 2019
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 39,771	\$ 48,844
Marketable securities	67,391	51,713
Accounts receivable, net	20,970	22,926
Inventories	4,097	4,106
Vendor non-trade receivables	18,976	22,878
Other current assets	12,026	12,352
Total current assets	163,231	162,819
Non-current assets:		
Marketable securities	99,899	105,341
Property, plant and equipment, net	37,031	37,378
Other non-current assets	40,457	32,978
Total non-current assets	177,387	175,697
Total assets	\$ 340,618	\$ 338,516

LIABILITIES AND SHAREHOLDERS' EQUITY:			
Current liabilities:			
Accounts payable	\$ 45,111	\$ 46,236	
Other current liabilities	36,263	37,720	
Deferred revenue	5,573	5,522	
Commercial paper	4,990	5,980	
Term debt	10,224	10,260	
Total current liabilities	102,161	105,718	
Non-current liabilities:			
Term debt	93,078	91,807	
Other non-current liabilities	55,848	50,503	
Total non-current liabilities	148,926	142,310	
Total liabilities	251,087	248,028	
Commitments and contingencies			
Shareholders' equity:			
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 4,384,959 and 4,443,236 shares issued and outstanding, respectively	45,972	45,174	
Retained earnings	43,977	45,898	
Accumulated other comprehensive income/(loss)	(418)	(584)	
Total shareholders' equity	89,531	90,488	
Total liabilities and shareholders' equity	\$ 340,618	\$ 338,516	

SUMMARY

- GAAP
- Accounting records
- Five classes of accounts

- Accounting equation
- Normal balance of each account
- Four financial statements



**Thank you!
Questions?**