

# Mira's Microbrewery



**HARVARD**  
BUSINESS SCHOOL

# Key Takeaways

- Reviewed the process of recording transactions using accrual accounting & double entry bookkeeping
- Introduced the five key accounts: Asset, Liability, SE, Revenue, Expense
- Understood inventory accounting for manufacturing firms:
  - Inventory flows through 3 accts: Raw Materials (RM), Work in Process (WIP), Finished Goods (FG)
  - All costs related to production are capitalized in WIP (product costs) → Matching Principle
  - Non-production costs such as SG&A are expensed (period costs)
- Introduced the balance sheet – summarizes the financial position of a firm as of a point in time

# Key Equations

Balance Sheet Equation:

$$\textit{Assets} = \textit{Liabilities} + \textit{Equity}$$

Basic Components of Equity Account:

$$\textit{Equity} = \underbrace{\textit{Capital}} + \textit{Retained Earnings}$$

*Common Stock*  
+ *Add'l Paid in Capital*

Retained Earnings Equation:

$$\textit{Retained Earnings}_{EB} = \textit{Retained Earnings}_{BB} + \textit{Net Income} - \textit{Dividends}$$

Nb. EB denotes ending balance, BB denotes beginning balance

# Inventory Accounts

