Financial Accounting Review

Introduction

Balance Sheet
Formula
Transactions
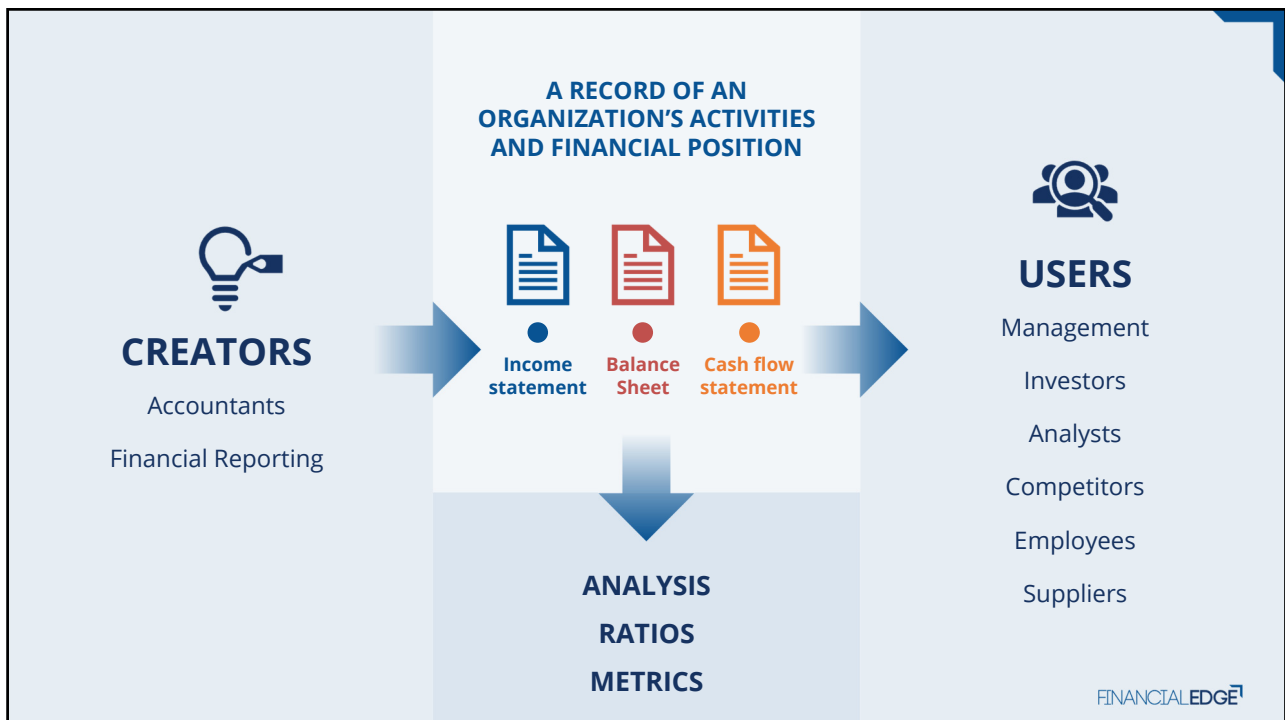
Forecasting
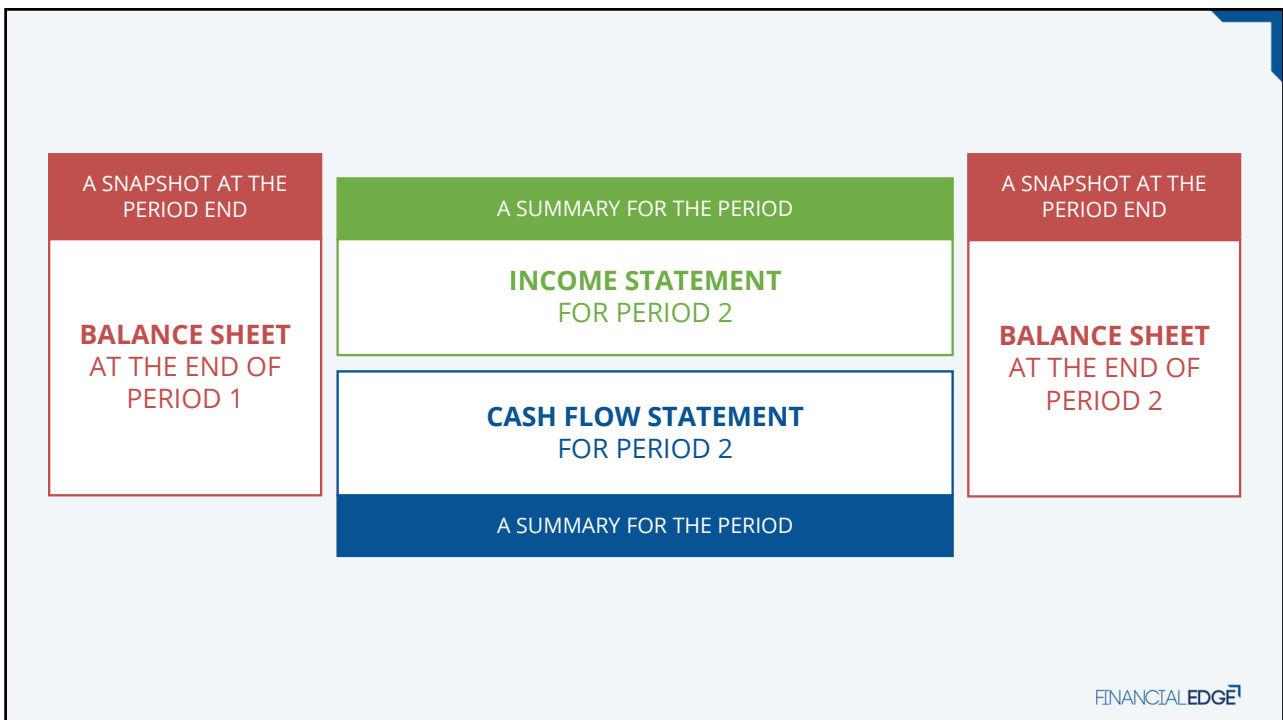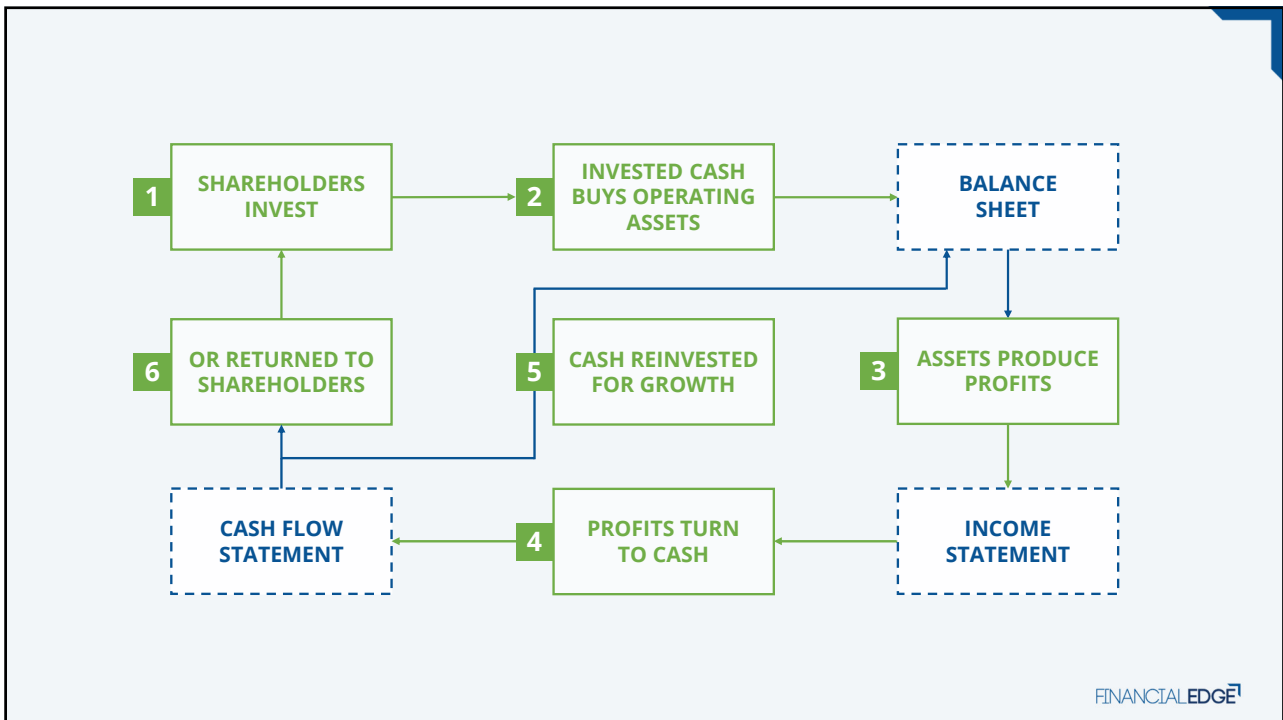
Integrating The Financial Statements

Real Financial Statements

Introduction

A RECORD OF AN ORGANIZATION'S ACTIVITIES AND FINANCIAL POSITION

CREATORS

Accountants

Financial Reporting

Income statement

Balance Sheet

Cash flow statement

ANALYSIS

RATIOS

METRICS

USERS

Management

Investors

Analysts

Competitors

Employees

Suppliers

Balance Sheet

BALANCE SHEET – A POINT IN TIME

DESCRIBES FINANCIAL POSITION
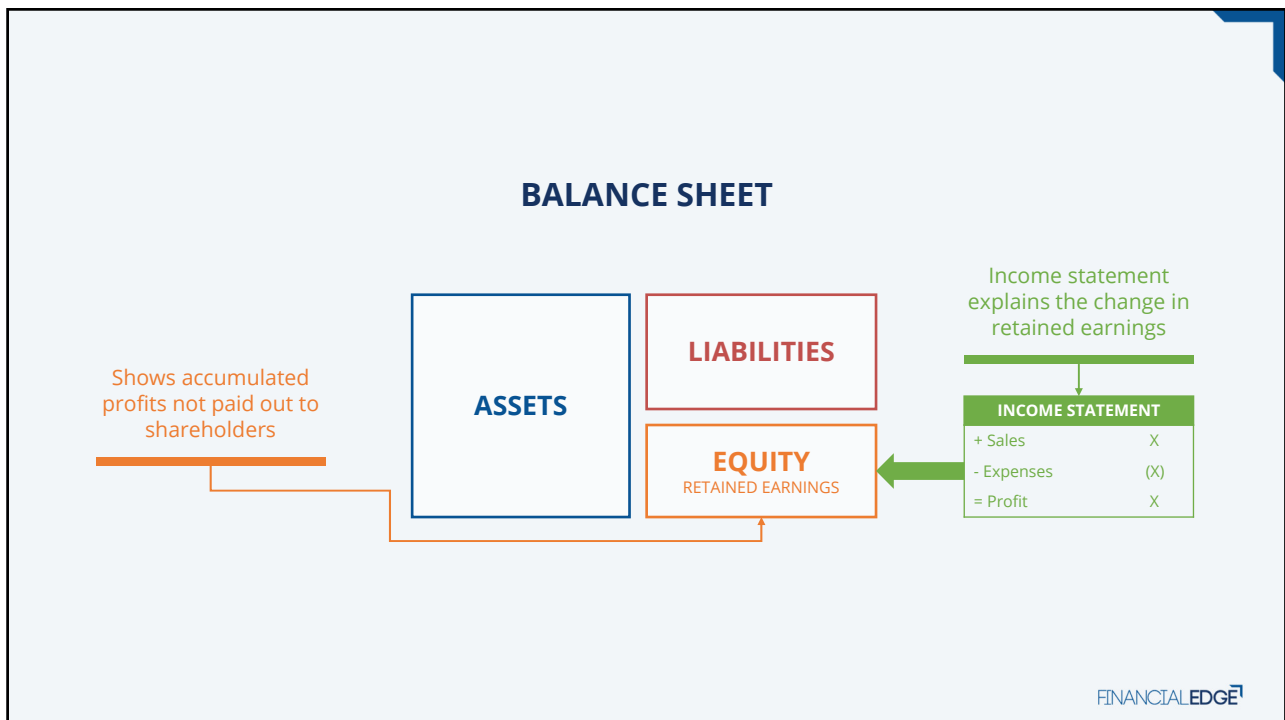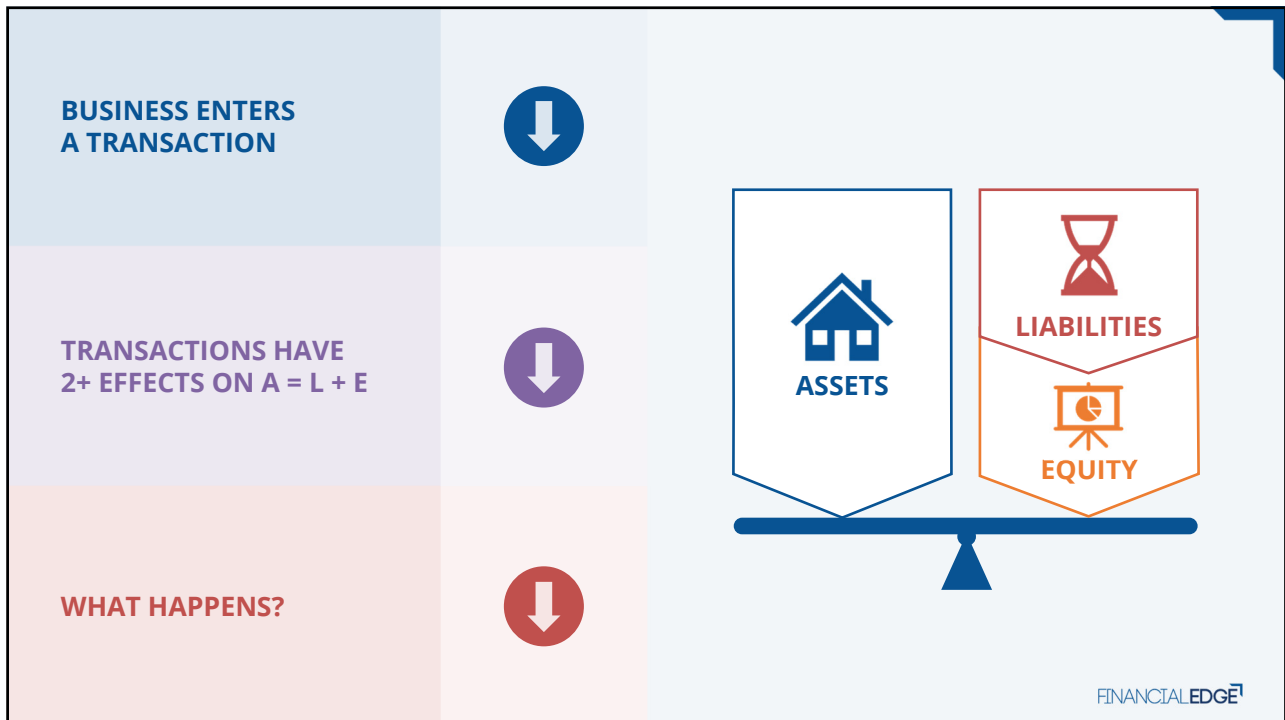
ASSETS = LIABILITIES + EQUITY

MUST ALWAYS BALANCE!

ASSETS

LIABILITIES

EQUITY

Forecasting

ANALYSIS
Analysis of past to understand the business, and forecast the future

FORECAST
Key numbers are forecasted in detail

SOLVE
Solve for other numbers, such as retained earnings and cash

EXAMPLE

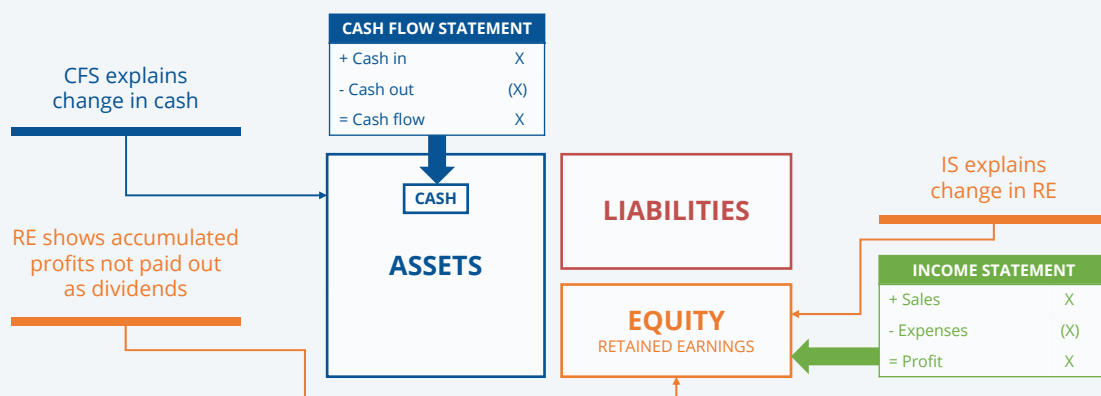| Ratios such as gross margin: **Gross profit / sales**	Key numbers such as sales: **Future = Prior x (1 + g)**	**B -** Beginning **A -** Add **S -** Subtract **E -** Ending

Integrating The Financial Statements

CASH FLOW STATEMENT	
+ Cash in	X
- Cash out	(X)
= Cash flow	X

CFS explains change in cash

RE shows accumulated profits not paid out as dividends

CASH

ASSETS

LIABILITIES

EQUITY
RETAINED EARNINGS

IS explains change in RE

INCOME STATEMENT	
+ Sales	X
- Expenses	(X)
= Profit	X

Cash Flow Statement

The CFS reports the cash generated or used in a period

OPERATING ACTIVITIES	**Operating cash in / out**	**X**
INVESTING ACTIVITIES	**Investing cash in / out**	**(X)**
FINANCING ACTIVITIES	**Financing cash in / out**	**(X)**
NET CASH FLOW		**x**

Cash is king

Can't run without cash

Cash pays bills

Cash-in greater than cash-out

Real Financial Statements

TIMING OF 3 FS

CONNECTORS OF 3 FS

MD&A

FOOTNOTES

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