



goals

Introduction to financial statement Balance sheet

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Definition of 'Financial Analysis'



**A NEW
SKILL
ADDED**



- Financial analysis is the process of evaluating financial and other information for decision-making .
- Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid, or profitable enough to be invested in.
- When looking at a specific company, the financial analyst will often focus on the income statement, balance sheet, and cash flow statement.
- In addition, one key area of financial analysis involves extrapolating the company's past performance into an estimate of the company's future performance.



1) balance sheet

A balance sheet shows the financial condition of an accounting entity as of a particular date.

The balance sheet consists of:

assets: the resources of the firm

liabilities: the debts of the firm.

stockholders' equity :the owners' interest in the firm.

.assets= liabilities + stockholders' equity.





1) balance sheet



- This may be presented side by side (account form)
- or with the assets at the top and the liabilities and stockholders' equity at the bottom (report form)



1) balance sheet

	2018		2017	
	Amount	Percent	Amount	Percent
ASSETS:				
Current assets	\$ 550,000	*48.3%	\$ 533,000	*43.3%
Long-term investments	95,000	8.3%	177,500	14.4%
Plant assets (net)	444,500	39.0%	470,000	38.2%
Intangible assets	50,000	4.4%	50,000	4.1%
Total assets	\$ 1,139,500	100.0%	\$ 1,230,500	100.0%
LIABILITIES:				
Current liabilities	210,000	18.4%	243,000	19.7%
Long-term liabilities	100,000	8.8%	200,000	16.3%
Total liabilities	\$ 310,000	27.2%	\$ 443,000	36%
STOCKHOLDERS' EQUITY				
6% preferred stock	150,000	13.2%	150,000	12.2%
Common stock	500,000	43.9%	500,000	40.6%
Retained earnings	179,500	15.7%	137,500	11.2%
Total stockholders' equity	829,500	72.8%	787,500	64.0%
Total liabilities and stockholders' equity	1,139,500	100.0%	1,230,500	100.0%

Example Company Balance Sheet December 31, 2018			
ASSETS		LIABILITIES	
ASSETS		LIABILITIES	
Current assets		Current liabilities	
Cash	\$ 2,100	Notes payable	\$ 5,000
Petty cash	100	Accounts payable	35,900
Temporary investments	10,000	Wages payable	8,500
Accounts receivable - net	40,500	Interest payable	2,900
Inventory	31,000	Taxes payable	6,100
Supplies	3,800	Warranty liability	1,100
Prepaid insurance	1,500	Unearned revenues	1,500
Total current assets	89,000	Total current liabilities	61,000
Investments	36,000	Long-term liabilities	
Property, plant & equipment		Notes payable	20,000
Land	5,500	Bonds payable	400,000
Land improvements	6,500	Total long-term liabilities	420,000
Buildings	180,000		
Equipment	201,000	Total liabilities	481,000
Less: accum depreciation	(56,000)		
Prop, plant & equip - net	337,000	STOCKHOLDERS' EQUITY	
Intangible assets		Common stock	110,000
Goodwill	105,000	Retained earnings	220,000
Trade names	200,000	Accum other comprehensive income	9,000
Total intangible assets	305,000	Less: Treasury stock	(50,000)
Other assets	3,000	Total stockholders' equity	289,000
Total assets	\$ 770,000	Total liabilities & stockholders' equity	\$ 770,000

The notes to the sample balance sheet have been omitted.



Elements of balance sheet



- **Assets** are probable future economic benefits obtained or controlled by an entity as a result of past transactions or events.

Assets are normally divided into two major categories:

Current assets, that will normally be realized in cash, during the operating cycle of a firm or for one year, whichever is longer. (**The operating cycle** covers the time between the acquisition of inventory and the realization of cash from selling the inventory)



Elements of balance sheet



- Current assets

. Current assets typically include :

- **cash and cash equivalent** (cash on hand , negotiable checks and unrestricted balances in checking accounts, Savings accounts)
- **marketable securities**, short term investment (presented at their fair value)
- **short-term receivables** : monies due on account that arise from sale or services rendered (shown net of allowances to reflect their realizable value)
- **Inventories**: balance of goods on hand , raw materials , work in process , finished goods, supplies .
- **Prepaid** :expenditure made in advance of the use of the service or goods, It represents future benefits that have resulted from past transactions (advertising, insurance, promotion costs, and early payments on long-term contracts .
- **other current asset** Deferred income taxes , Debt issue costs.



Elements of balance sheet



Non-current (long- term asset) divided into four categories :

- **tangible assets:** physical facilities used in the operations of the business(land,buildings, machinery, and construction in progress) these assets presented as net property, plant, and equipment. **Except the land is not depreciated** , some company classify construction in progress under other long term asset

Assets leased under a capital lease are classified as long-term assets

- **investments**(stocks and bonds of other companies held to maintain a business relationship or to exercise control) ,idle plant asset not currently used in operation , as well as monies set aside in special funds.
- **intangible asset** : non physical assets (patents , goodwill, trademark , franchise and copyrights,)
- **others** (assets that not fit into one of the previously classification include noncurrent receivables and noncurrent prepaid ,Property held for sale ,Assets leased to others.



Elements of balance sheet



- **Liabilities** are probable future sacrifices 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. Liabilities are usually classified as either current or long-term liabilities





Elements of balance sheet



- **Current Liabilities** are obligations whose liquidation is reasonably expected to require the use of existing current assets or the creation of other current liabilities within a year or an operating cycle, whichever is longer
- **payables** : short-term obligations created by the acquisition of goods and services, such as account payable ,wages payable, and taxes payable. , notes payable, Current portion of long-term obligations , Accrued expenses ,Dividends payable .
- **Unearned Income:** Payments collected in advance of the performance of service are termed unearned (rent , revenue ,)
- **Other Current Liabilities**(Taxes other than federal income taxes ,Interest ,Estimated costs related to discontinued operations ,Deferred revenue , Customer advances deposits ,Environmental costs ,Deferred taxes.



Elements of balance sheet



- **Long-Term Liabilities** :are those due in a period exceeding one year or one operating cycle whichever is longer,

Long-term liabilities are generally of two types:

- **financing arrangements** : of assets including note payable, bonds payable, and credit agreements (loan commitments from banks or insurance companies for future loans.
- **operational obligations**: (pension obligations, postretirement benefit obligations , **deferred taxes** (caused by using different accounting methods for tax and reporting purposes) , **service warranties** (estimated obligation arising out of product warranties)
- **Minority Interest** : Minority interest reflects the ownership of minority shareholders in the equity of consolidated subsidiaries less than wholly owned it does not represent a liability or stockholders' equity in the firm being analyzed.
- Redeemable Preferred Stock (is more like debt than equity)



Elements of balance sheet



Stockholders' equity is the residual ownership interest in the assets of an entity that remains after deducting its liabilities, Usually divided into two basic categories, paid-in capital and retained earnings

- **Paid-in Capital**
 - preferred stock:
 - common stock: (ownership that has voting and liquidation rights) they elect the board of directors
 - Donated capital: Capital is donated to the company by stockholders, creditors, or other parties
 - additional paid in capital :excess of amount paid for stock over the stated value of the common and preferred stocks .
- **Retained earnings** are the undistributed earnings of the corporation—(net income for all past periods minus the dividends)
- **Treasury Stock** A firm creates treasury stock when it repurchases its own stock and does not retire it. Since treasury stock lowers the stock outstanding, it is subtracted from stockholders' equity.
- **Other accounts can be included** : accumulated other comprehensive income or(loss) , (deferred compensation) , (unearned employee stock ownership plans)



PROBLEMS IN BALANCE SHEET PRESENTATION



Numerous problems inherent in balance sheet presentation may cause difficulty in analysis.

First, many assets are valued at cost, so one cannot determine the market value or replacement cost of many assets and should not assume that their balance sheet amount approximates current valuation.

Second, varying methods are used for asset valuation. For example, inventories may be valued differently from firm to firm and, within a firm, from product to product. Similar problems exist with long-term asset valuation and the related depreciation alternatives.

Third : not all items of value to the firm are included as assets For example, such characteristics as good employees, outstanding management, and a well-chosen location do not appear on the balance sheet . also , liabilities related to contingencies also may not appear on the balance sheet.

These problems do not make statement analysis impossible. They merely require that qualitative judgment.



The following information was obtained from the accounts of Airlines International dated December 31, 2000. It is presented in alphabetical order.

Accounts payable	\$ 77,916
Accounts receivable	67,551
Accrued expenses	23,952
Accumulated depreciation	220,541
Allowance for doubtful accounts	248
Capital in excess of par	72,913
Cash	28,837
Common stock (par \$.50, authorized 20,000 <u>shares</u> , issued 14,304 shares)	7,152
Current installments of long-term debt	36,875
Deferred income tax liability (long term)	42,070
Inventory	16,643
Investments and special funds	11,901
Long-term debt, less current portion	393,808
Marketable securities	10,042
Other assets	727
Prepaid expenses	3,963
Property, plant, and equipment at cost	809,980
Retained earnings	67,361
Unearned transportation revenue (airline <u>tickets expiring within one year</u>)	6,808

Required Prepare a classified balance sheet in report form.



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“كُنْ أَنْتِ الْإِيرَادِ الْمُتَنْظِرِ
لِكُلِّ الْإِلْتِزَامَاتِ مِنْ حَوْلِكَ”

”

أنتظرك يارهيب!



طريقة الإشتراك:

١. الذهاب لصفحة المقرر.
٢. الضغط على "أشترك الآن".
٣. إكمال عملية الدفع.
٤. ومبروك عليك طالب في برافو مي (:)





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شروحات

إنجاز



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شروحات

دوا

تعليم_إلكتروني

وفر فلوسك

طلاب

دوافير

تعليم_إلكتروني

وفر فلوسك