



Finance for the Non-Financial Manager

Pre-Read Materials
Dr. Sherry Williams, CPA

Major Financial Statements & Reports

Balance Sheet

Income Statement

**Statement of
Cash Flows**

**Auditor's Report &
Notes to Financial Statements**

Financial Statements: Balance Sheet

ASSETS

Cash
Accounts Receivables
Inventory
Total Current Assets

Property, Plant, & Equipment
(Accumulated Depreciation)
Total Fixed Assets

Other Assets

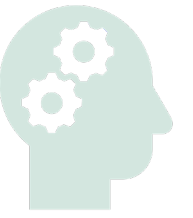
Total Assets

Current Debt
Accounts Payable Accounts
Other Accrued Liabilities
Current Liabilities
Long-Term Debt
Deferred Income Taxes
Total Liabilities

Common Stock
Additional Paid-In Capital
Treasury Stock
Other Comprehensive Income / (Loss)
Total Stockholder's Equity

LIABILITIES

SHAREHOLDERS'
EQUITY



Financial Statements: Balance Sheet

- Financial Report that shows a record of all things owned and owed by a company
- Balance Sheet accounts are known as “Real Accounts”
 - Financials show balances “life-to-date” for the company
- Assets
 - Cash, A/R, Inventory, Land, Equipment, Buildings, Prepays
- Liabilities
 - Accounts Payable, Debt, Unearned Revenue
- Stockholders’ Equity
 - Retained Earnings, Capital Stock, Treasury Stock

$$\text{ASSETS} = \text{LIABILITIES} + \text{SHAREHOLDERS' EQUITY}$$

- **Real Account:** An account that will always be “open” or a part of a company’s books once used.
- **Asset:** An economic resource that is owned or controlled by a company and which have future economic value.
- **Liability:** Obligations to pay cash, transfer other assets, or provide services to someone else.
- **Owners’ Equity:** The total assets of an entity, minus its total liabilities. This represents the capital theoretically available for distribution to all shareholders.
- **Net Assets:** Total assets minus total liabilities (Owners’ Equity)

Financial Statements: Income Statement

Revenues/Sales

Cost of Goods Sold

Gross Margin

SG&A Expenses

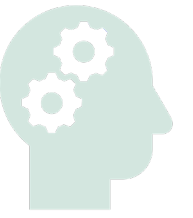
Operating Profit

Interest Expense

Other Income, net

Taxes

Net Income



Financial Statements: Income Statement

- Financial Report showing the overall performance of a company during a period of time
- Income Sheet accounts are known as “Nominal Accounts”
 - Financials show balances as of a period of time, typically “quarter-to-date” or “year-to-date”
- Revenue
 - Products, Services, Investments
- Expenses
 - COGS, Advertising, Salaries, Taxes, Interest Expense
- Earnings per Share
 - Net Income / Outstanding Shares

$$\text{NET INCOME} = \text{REVENUE} - \text{EXPENSES}$$

- **Nominal Account:** An account that is used during a specified period of time (i.e., the accounting period) to track the activity in those accounts during that time.
- **Revenue:** Increase in a company’s assets from the sale of goods or services.
- **Expenses:** Costs incurred in the normal course of business to generate revenue.
- **EPS:** Amount of net income or earnings for each share of stock.



Financial Statements: Cash Flow

Cash from Operating Activities

Cash paid for Inv, Operating Exp, Taxes, etc.

Cash from Investing Activities

Cash paid for property

Cash received from sale of property

Cash from Financing Activities

Increases/Payments of debt

Purchase of Treasury Stock

Dividends Paid

Increase/(Decrease) in Cash for the Period

- **Statement of Cash Flow:** A report of a company's cash inflows and outflows.
- **Operating Activities:** Cash from operations of business (day-to-day.)
- **Investing Activities:** Cash from purchase/sale of long-term assets.
- **Financing Activities:** Cash from transactions with owners or creditors.

Reflection on the true cash position of the company



Double Entry Bookkeeping - “The Law of Accounting”

Double-Entry Bookkeeping

An accounting system of bookkeeping that requires each and every entry to a particular account includes a corresponding and opposite entry to a different account.

Two key components to an entry (minimum):

- 1) Debit: An entry on the left side of a T-Account.
- 2) Credit: An entry on the right side of a T-Account.

T-Account: A fundamental accounting tool to aid in building journal entries.

Journal Entries: Which translate business transaction to the financial statements of the company.

