

Company Financial Statement¹
BUSI 101B

1. A firm's financial statements aid managers in running efficient and effective businesses
 - a. Five most basic firm financial statements
 - i. Balance Sheet
 - ii. Income Statement
 - iii. Change in Financial Condition
 - iv. Cash Flow Statement
 - v. Statement of Changes in Equity
 - b. Used to account for
 - i. Assets
 - ii. Liabilities
 - iii. Incomes
 - iv. Expenses
 - v. Profits (losses)
 - vi. Taxes
 - vii. Shareholder Equity
 - viii. Solvency
 - ix. Performance ratios
 1. Profit Margin ($PM = NI/Revenue$)
 2. Return on Assets ($ROA = NI/TA$)
 3. Return on Equity ($ROE = NI/TE$)
 4. Quick Ratio ($QR = [CA - Inventory]/CL$)
 - a. Also referred to as Acid Test
 5. Current Ratio ($CR = CA/CL$)
 - a. Also referred to as Coverage Ratio)
 6. Net Working Capital ($NWC = CA - CL$)
 - c. Fiscal versus Calendar Year (period)
 - d. GAPP
 - e. Book Value vs. Market Value
2. Income Statement
 - a. Statement of revenues (incomes) and expenses (costs) covering a set period of time
 - i. Month, quarter, year
3. Order of entries
 - a. Revenues
 - b. Cost of goods sold
 - c. Depreciation
 - d. Earnings Before Interest and Taxes (EBIT)
 - i. Also known as net operating income
 - e. Interest
 - f. Taxable income

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- g. Taxes
 - h. Net income
 - i. Dividends
 - j. Retained earnings
 - i. Transferred to balance sheet as an increase in Accumulated Retained Earnings
4. Balance Sheet
- a. Statement of assets and liabilities as a specific moment in time
 - i. End of period
 - 1. Month, month, quarter, year
 - b. $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$ such that the statement balances
 - c. Assets
 - i. Current assets
 - 1. Convertible to cash within a one year period or normal operating cycle
 - 2. Cash and securities
 - 3. Inventory
 - 4. Accounts receivable
 - ii. Fixed Assets (Long-Term Assets)
 - 1. Property Plants, and Equipment (PPE)
 - 2. Operating Assets
 - 3. Non-Operating Assets
 - 4. Notes Receivable
 - 5. Depreciation and Amortization
 - a. Non-cash expenses on the income statement representing the depletion of value of tangible (depreciation) or intangible (amortization) assets found on a firm's balance sheet
 - iii. Total Assets ($\text{CA} + \text{FA} = \text{TA}$)
 - d. Liabilities
 - i. Current Liabilities
 - 1. Accounts Payable
 - 2. Wages/Benefits Payable
 - ii. Long Term Debt
 - 1. Notes Payable
 - 2. Credit Lines
 - 3. Mortgages
 - 4. Bonds
 - iii. Total Liabilities
 - e. Owner's Equity
 - i. Paid in Capital
 - 1. Common Stock
 - 2. Preferred Stock
 - 3. Accumulated Retained Earnings
 - ii. Total Liabilities and Owner's Equity

Sample Balance Sheet and Income Statement – National Media Management²

National Media Management Balance Sheet as of December 31						National Media Management Income Statement January 1 - December 31, 2014	
	2013	2014		2013	2014		
Current Assets			Liabilities			Sales	
Cash	213,960	263,850	Accounts Payable	214,414	232,480	Products	7,535,221
Accounts Receivable	651,552	768,318	Total	214,414	232,480	Services	2,152,025
Inventory	621,807	662,296				Total Sales	9,687,246
Total	1,487,319	1,694,464					
			Long Term Debt			Expenses - COGS	
Fixed Assets			Mortgages (interest only)	271,700	271,700	Admin and Mgt	852,873
Buildings	722,862	757,328	Credit Line	99,022	134,508	Production	1,529,884
Equipment	378,522	448,021	Bonds	628,522	628,522	Materials	6,524,879
Technology	250,000	300,000	Total	999,244	1,034,730	Depreciation	145,734
Total	1,351,384	1,505,349				Total Expenses - COGS	9,053,370
			Owner's Equity			EBIT (Operating Income)	633,876
Total Assets	2,838,703	3,199,813	Common Stock	292,564	292,564		
			Preferred Stock	200,000	200,000	Non-Operating Expense	
	-	-	Accumulated Retained Earnings	1,132,481	1,440,039	Credit Line Interest Expense	44,579
			Total	1,625,045	1,932,603	Mortgage Interest Expense	11,412
						Bond Interest Expense	35,001
			Total Liabilities and Owner's Equity	2,838,703	3,199,813	Total Non-Operating Expense	90,992
Additional Financial Information							
Preferred Stock			Common Stock			Pre-Tax Income	542,884
Shares Outstanding		200,000	Shares Outstanding		292,564	Tax (35%)	190,009
12/31 Price per Share		1.65	12/31 Price per Share		13.75	Net Income	352,875
Market Value (Market Cap)		330,000	Market Value (Market Cap)		4,022,755		
Bonds (\$1,000 face value)			Beta		1.30	Distribution of Earnings	
Coupon Rate	5.57%		R _M		12.00%	Dividends (Common)	25,317
YTM	7.00%		R _F		2.00%	Dividends (preferred)	20,000
Years Remaining	20					Addition to Retained Earnings	307,558
P/YR	2		Book Value / Liabilities		1,267,210		

² While National Media Management, LLC (NMM) is an actual firm incorporated in the state of Utah, the figures shown are not an accurate representation of the firm's financial condition and are for illustrative purposes only.