



ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΩΣ
ΣΧΟΛΗ ΧΡΗΜΑΤΟΟΙΚΟΝΟΜΙΚΗΣ ΚΑΙ ΣΤΑΤΙΣΤΙΚΗΣ

ΤΜΗΜΑ ΧΡΗΜΑΤΟΟΙΚΟΝΟΜΙΚΗΣ ΚΑΙ ΤΡΑΠΕΖΙΚΗΣ ΔΙΟΙΚΗΤΙΚΗΣ

Λογιστική Γενικά

Financial Accounting

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Accounting / Financial Analysis

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Financial Accounting

P&N Chapter 1

*Uses of Accounting Information and the Financial
Statements*

Why Financial Accounting?



Chapter 1: Uses of Accounting Information and the Financial Statements

- Accounting as an information system
- Decision makers: The Users of Accounting information
- Accounting Measurement H/W
- The Corporate Form of Business H/W
- Financial position and the accounting equation
- Financial statements
- Generally accepted accounting principles (GAAP)

Accounting as an Information System

- Operating
- Activities

- ✓ Selling goods and services to customers
- ✓ Employing managers and workers
- ✓ Buying and producing goods and services
- ✓ Paying taxes

- Investing
- Activities

- ✓ Buying land, buildings, and equipment
- ✓ Purchasing other resources necessary to operate the business
- ✓ Selling these resources when no longer needed

- Financing
- Activities

- ✓ Obtaining capital from creditors
- ✓ Securing loans
- ✓ Gathering funds from owners
- ✓ Repaying creditors
- ✓ Paying returns to owners

Accounting as an Information System

Performance Measures: Ratios

- ✓ Used to compare a company's financial performance from one year to the next
- ✓ Helpful when making comparisons among companies

Return on Assets = how much is earned on each dollar invested in assets

		(in millions)	
CVS		2004	2003
Net Income		\$918.8	\$847.3
Average Total Assets	=	$(\$14,546.8 + \$10,543.1) / 2$	$(\$10,543.1 + \$9,645.3) / 2$
Return on Assets	=	7.3%	8.4%

Decision Makers: the Users of Accounting Information

Management

- ✓ Finance
- ✓ Investment
- ✓ Operations & Production
- ✓ Marketing
- ✓ Human Relations
- ✓ Accounting



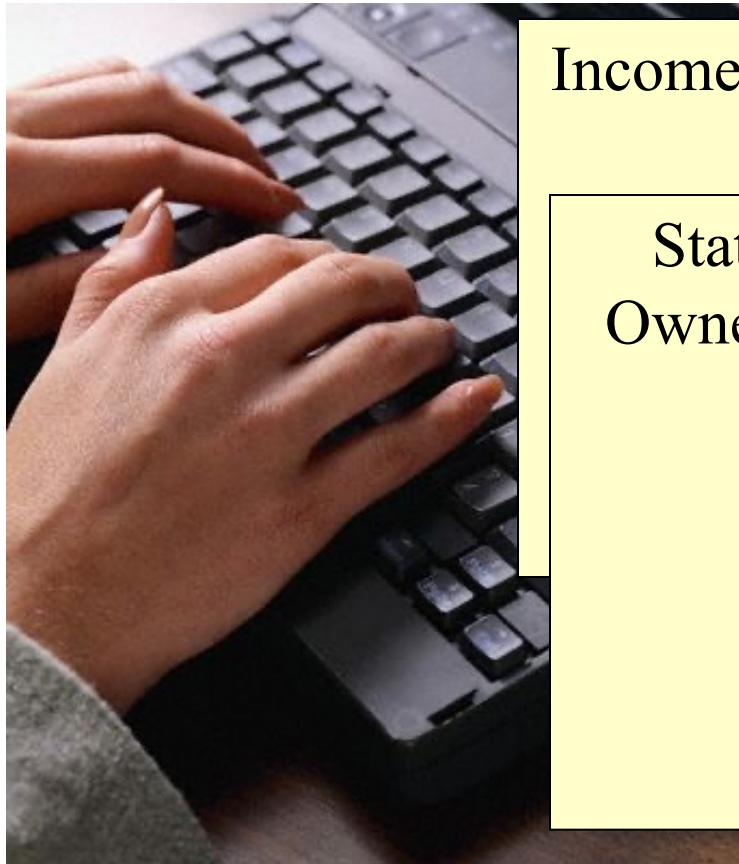
Those With Direct Financial Interests

- ✓ Investors
- ✓ Creditors
- ✓ Banks

Those With Indirect Financial Interests

- ✓ Tax Authorities
- ✓ Regulators
- ✓ Labor Unions
- ✓ Customers
- ✓ Economic Planners

Financial Statements



Income Statement

Statement of
Owner's Equity

Balance Sheet

Statement of
Cash Flows

Financial Statements - Income Statement

Date reflects revenues and expenses incurred over a period of time

Ramirez Agency
Income Statement
For the Month Ended December 31, 20xx

Revenues

Commissions earned \$7,000

Expenses

Equipment rental expense \$1,400

Wages expense 800

Utilities expense 600

Total expenses 2,800

Net income \$4,200

Net income figure used to prepare statement of owner's equity

Financial Statements – Accounting Equation

Ramirez Agency Balance Sheet December 31, 20xx			
Assets		Liabilities	
Cash	\$31,200	Accounts payable	\$ 1,200
Accounts receivable	2,000	Total liabilities	\$ 1,200
Supplies	1,000	Owner's Equity	
Land	20,000		
Buildings	<u>50,000</u>		
		R. Ramirez, Capital	<u>\$103,000</u>
Total assets	<u>\$104,200</u>	Total liabilities and owner's equity	<u>\$104,200</u>

$$\text{Assets} = \text{Liability} + \text{Shareholders Equity}$$

Financial Statements - Statement of Owner's Equity

Ramirez Agency Statement of Owner's Equity For the Month Ended December 31, 20xx

R. Ramirez, Capital, December 1, 20xx	\$ 0
Investment by R. Ramirez	100,000
Net income for the month	4,200
Subtotal	<u>\$104,200</u>
Less withdrawals	<u>1,200</u>
R. Ramirez, Capital, December 31, 20xx	<u><u>\$103,000</u></u>

Ending balance of owner's capital used to prepare the balance sheet

Net income figure comes from income statement

Statement of Cash Flows

Ramirez Agency Statement of Cash Flows For the Month Ended December 31, 20xx			
Cash flows from operating activities			
Net income			\$ 4,200
Adjustments to reconcile net income to net cash flows from operating activities			
Increase in accounts receivable	(\$2,000)		
Increase in supplies	(1,000)		
Increase in accounts payable	1,200	(1,800)	
Net cash flows from operating activities			\$ 2,400
Cash flows from investing activities			
Purchase of land	(\$20,000)		
Purchase of building	(50,000)		
Net cash flows from investing activities		(70,000)	
Cash flows from financing activities			
Investments by owner	\$100,000		
Withdrawals	(1,200)		
Net cash flows from financing activities		98,800	
Net increase (decrease) in cash			\$31,200
Cash at beginning of month			0
Cash at end of month			<u><u>\$31,200</u></u>

Begins with
net income
from
income
statement

Cash at end of month should
be the same as Cash account
balance on balance sheet

Generally Accepted Accounting Principles (GAAP)



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Generally Accepted Accounting Principles (GAAP)

Number	Name
IFRS 3	Business combinations
IFRS 7	Financial instruments - disclosures
IAS 1	Presentation of financial statements
IAS 2	Inventories
IAS 7	Cash flow statements
IAS 16	Property plant & Equipment
IAS 18	Revenue
IAS 27	Consolidated and separate financial statements
IAS 28	Investments in associates
IAS 31	Interests in Joint Ventures
IAS 32	Financial instruments: Disclosure & presentation
IAS 33	Earnings per share
IAS 38	Intangible assets
IAS 39	Financial instruments: Recognition & measurement

Financial Statement Analysis

- *Balance sheet ratios*
 - Short-term *liquidity* ratios
 - **Current ratio** = Current assets/Current liabilities
 - **Days Sales Uncollected** = $[(\text{Accounts receivable Year 2} + \text{Accounts receivable Year 1})/2 \times 365]/\text{Sales}$
 - **Days Inventory on hand** = $[(\text{Inventory Year 2} + \text{Inventory Year 1})/2 \times 365]/\text{Sales}$

Financial Statement Analysis

- *Balance sheet ratios*
 - Long-term *solvency* ratios
 - **Debt to equity ratio** = Total Liabilities/ Stockholders equity.
- *Profitability ratios*
 - **Profit margin** = Net income/Sales
 - **Return on shareholders' equity (ROE)** = Net income/Average equity

Financial Accounting

P&N Chapter 2

Analysing Business Transactions

How Financial Accounting?

The New York Times

Lead Paint Prompts Mattel to Recall 967,000 Toys



?



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Page

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2007	December 31, 2006
	(In thousands, except share data)	
ASSETS		
Current Assets		
Cash and equivalents	\$ 901,148	\$1,205,552
Accounts receivable, less allowances of \$21.5 million and \$19.4 million in 2007 and 2006, respectively	991,196	943,813
Inventories	428,710	383,149
Prepaid expenses and other current assets	271,882	317,624
Total current assets	2,592,936	2,850,138
Property, plant, and equipment, net	518,616	536,749
Goodwill	845,649	845,324
Other noncurrent assets	848,254	723,673
Total Assets	\$ 4,805,455	\$4,955,884
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	\$ 349,003	\$ —
Current portion of long-term debt	50,000	64,286

74 of 142

Done

start 2008 mba final_needles_get... Inbox - Microsoft... Mattel, Inc.: Drive... http://www.share... 14:31

By [LOUISE STORY](#)

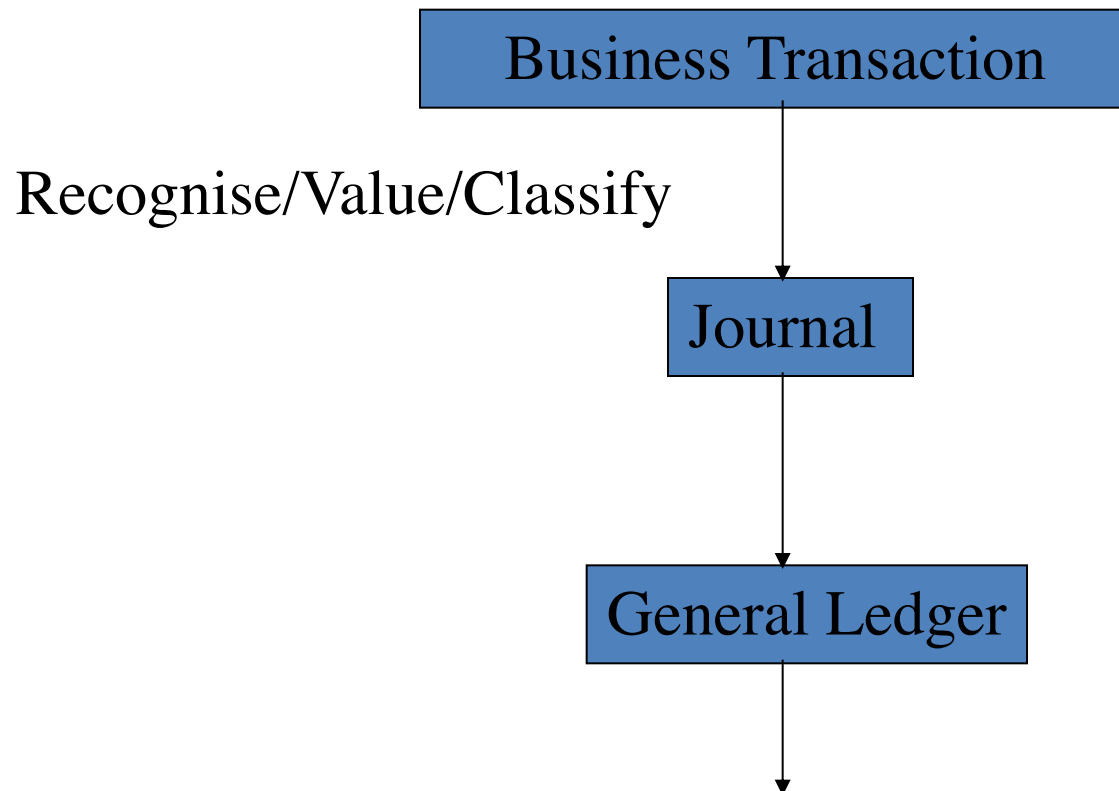
Published: August 2, 2007

[Mattel](#), the maker of Barbie dolls and Hot Wheels cars, is recalling nearly one million toys in the United States today because the products are covered in lead paint.

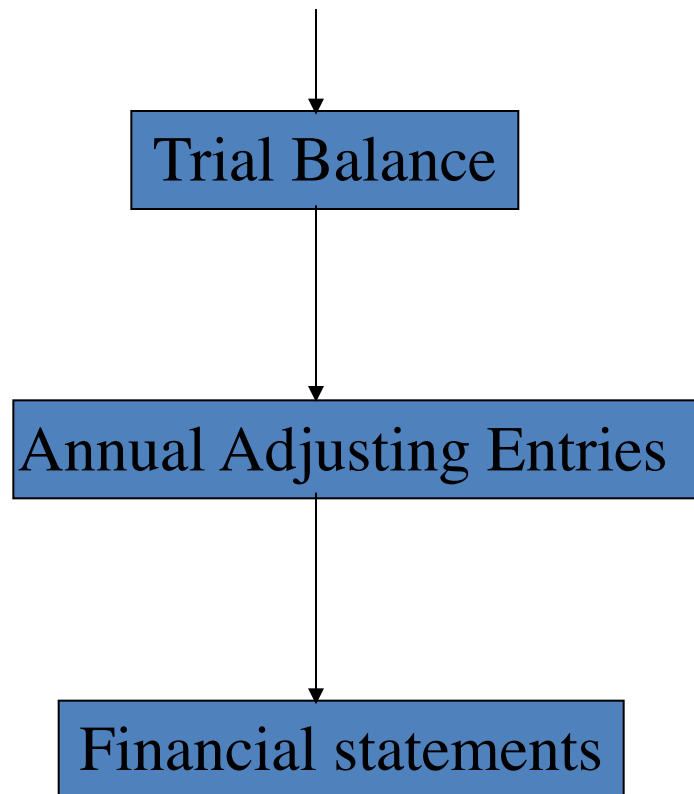
Chapter 2: Analyzing Business Transactions

- Measurement Issues
- Double Entry System
- Business Transaction Analysis
- The Trial Balance
- Cash flows and the Timing of transactions H/W
- Recording and Posting Transactions H/W

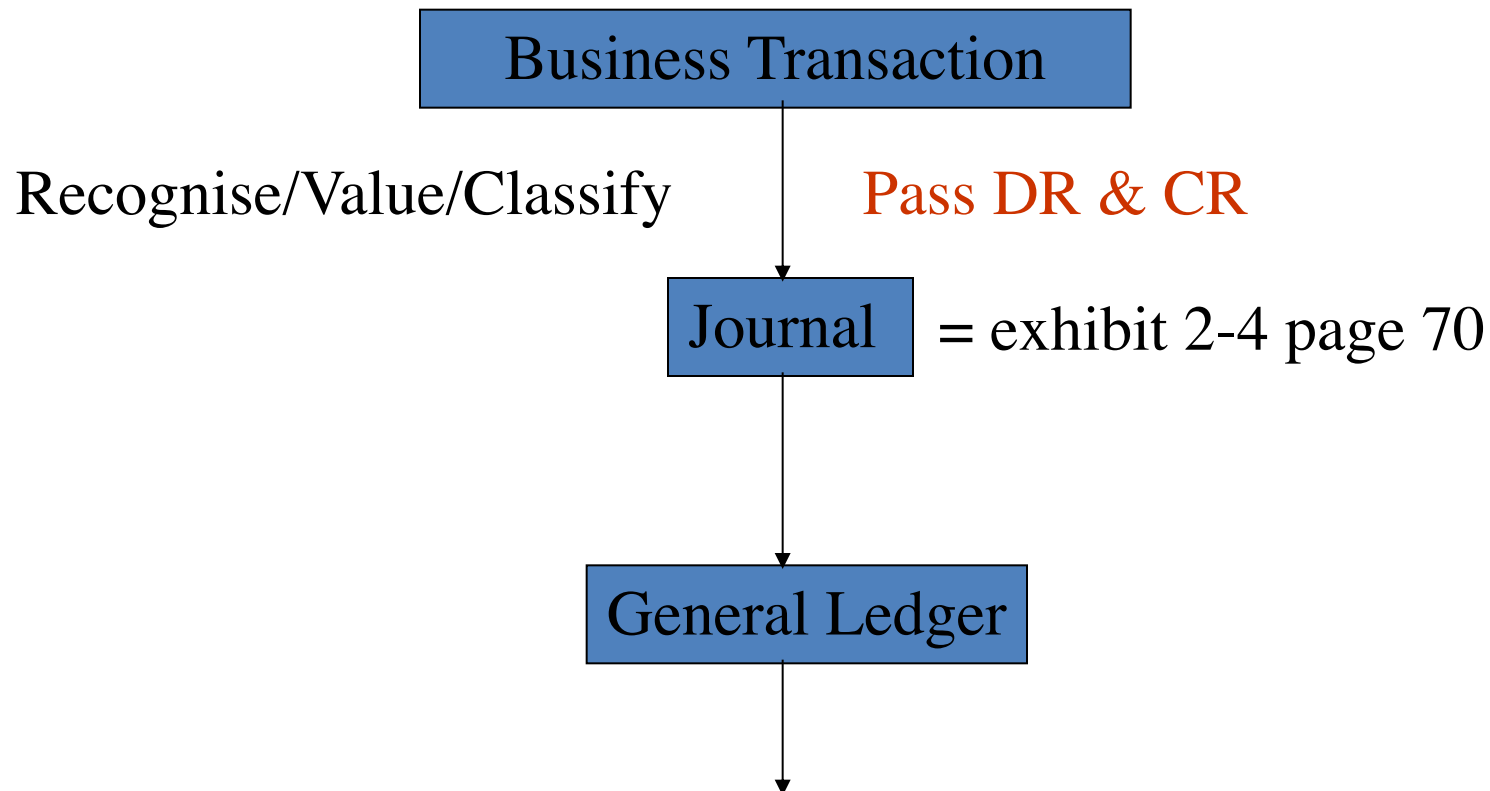
Chapter 2: Analyzing Business Transactions



Chapter 2: Analyzing Business Transactions



Double Entry System



Double Entry System

DEBIT	CREDIT
EXPENSE	LIABILITIES
ASSET	INCOME
DIVIDEND	CAPITAL

$$\text{DR} = \text{CR}$$

Accounts Illustrated

Assets		=	Liabilities		+	Stockholders' Equity	
700				200			500
100				100			
800		=		300	+		500

If a debit increases assets by \$100, then a credit must increase stockholders' equity or liabilities by \$100 for the accounting equation to stay in balance.

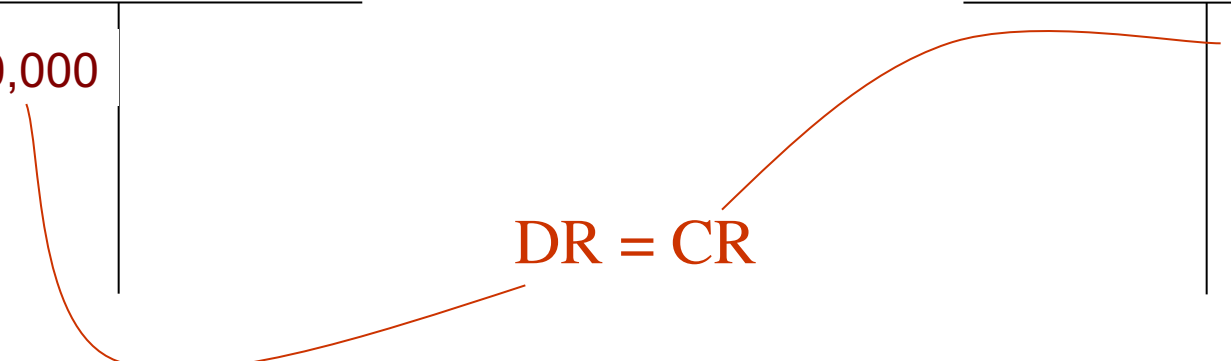
Business Transaction Analysis -

Transaction: Owner's Investment

July 1: Pricilla Treadle invests \$40,000 in Treadle Website Design, Inc. in exchange for 40,000 shares of \$1 par value common stock.

Assets		=	Liabilities	+	Stockholders' Equity
Cash					Common Stock
40,000					40,000

DR = CR



Business Transaction Analysis -

Transaction: Owner's Investment journal

1. Date recorded on first line
2. Debit account and debit amount recorded on first line
3. Indent, credit account and credit amount recorded on second line

		Dr.	Cr.
July 1	Cash	40,000	
	Common Stock		40,000

Business Transaction Analysis –

Transaction: Prepayment of Rent

Assets		=	Liabilities	+	Stockholders' Equity
Cash					
40,000	3,200				
Prepaid Rent					
3,200					

DR = CR

July 3: Payment of 2 months rent in advance, \$3,200

Business Transaction Analysis –

Transaction: Prepayment of Rent journal



	Dr.	Cr.
July 3 Prepaid Rent	3,200	
Cash		3,200

Business Transaction Analysis –

Transaction: Purchase of Supplies on Credit

July 5: Receipt of office supplies ordered on July 2 and an invoice for \$5,200.

Office Supplies

5,200

Accounts Payable

5,200

July 5

Office Supplies

5,200

Accounts Payable

5,200

Business Transaction Analysis –

Transaction: Service Revenue on credit

July 15: Performs design services; bill now but to be received later, \$9,600

Accounts Receivable

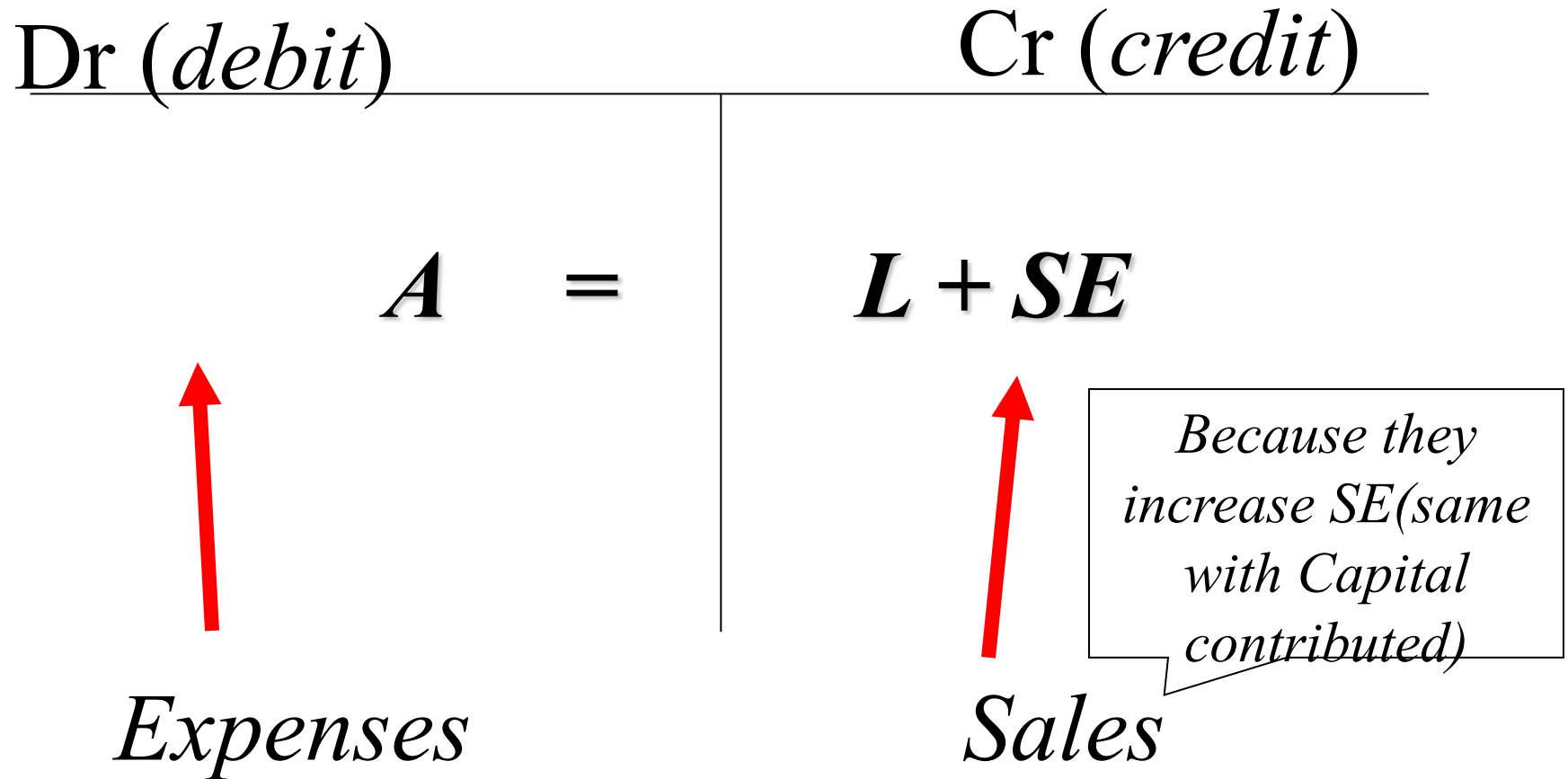
9,600

Design Revenue

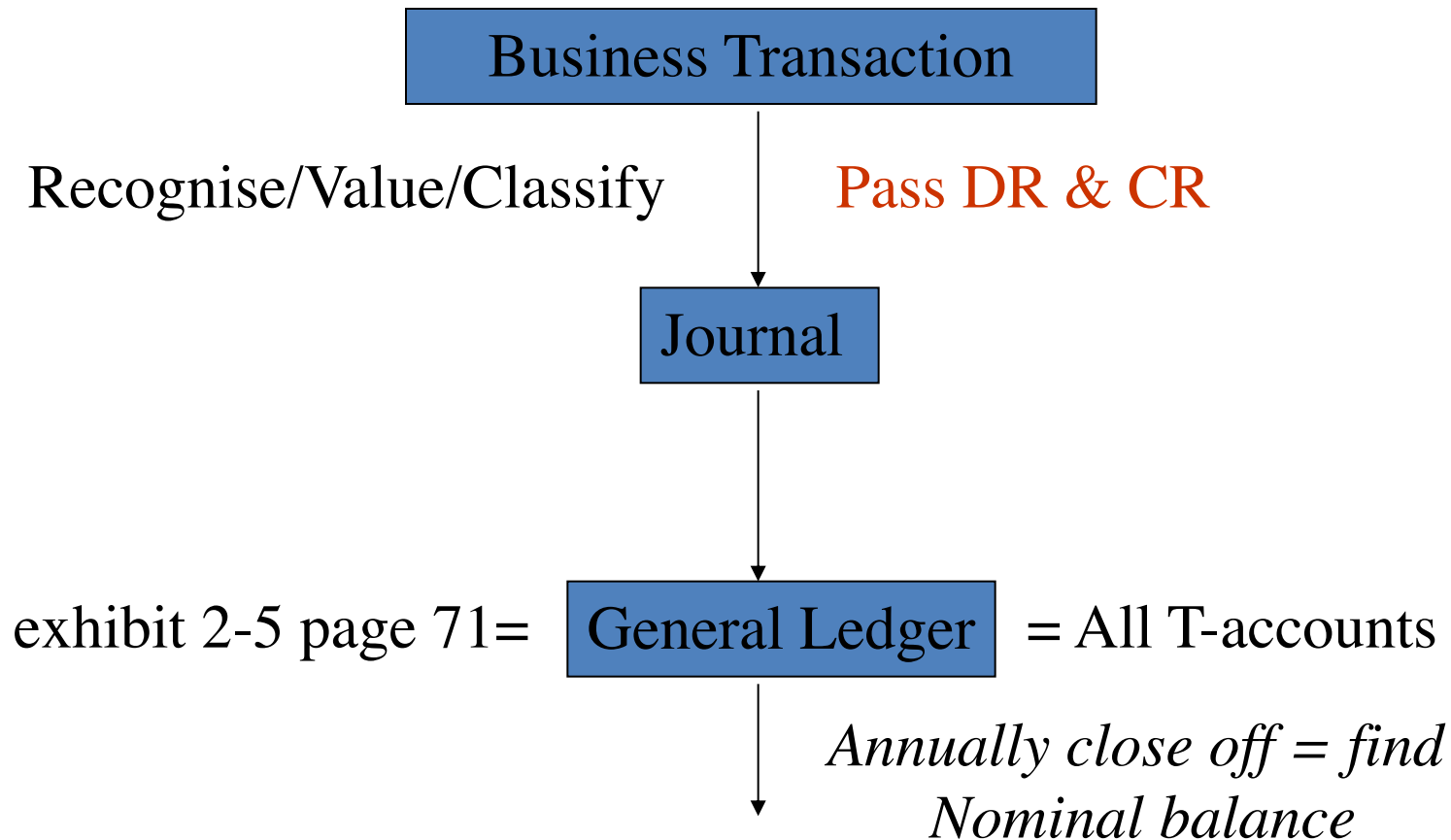
9,600

July 15	Accounts Receivable	9,600	
	Design Revenue		9,600

Debit & Credit Bookkeeping Rules - Summary



Double Entry System



Double Entry System

Analyzing and Processing Transactions

STEP 1

Analyze the transaction according to the rules of double entry.

SALES INVOICE	
<i>[Signature]</i>	<i>[Signature]</i>
<i>[Signature]</i>	<i>[Signature]</i>
<i>[Signature]</i>	<i>[Signature]</i>
\$5,200	

STEP 2

Record the entry.

General Journal				Page 1
Date	Description	Post. Ref.	Debit	Credit
20xx July 5	Office Supplies	116	5,200	
	Accounts Payable	212		5,200
	Purchase of office supplies on credit			

STEP 3

Post the entry.

General Ledger						
Office Supplies				Account No. 11		
Date	Item	Post. Ref.	Debit	Credit	Balance	
					Debit	Credit
20xx July	5	J1	5,200		5,200	

STEP 4

Prepare the trial balance.

Acct Name	Debit	Credit
Cash	36,800	
Office Supplies	5,200	
Prepaid Rent	3,200	
Accts Payable		5,200
Owner's Capital		40,000
	45,200	45,200

Summary of Transactions

Summary of Transactions of Treadle Website Design, Inc.									
Assets				=	Liabilities				+
Cash					Accounts Payable				
July 1	40,000	July 3	3,200		July 9	2,600	July 5	5,200	
10	2,800	6	13,320				6	3,000	
19	1,400	9	2,600				30	680	
22	5,000	26	4,800						
		31	2,800						
						2,600		8,880	
	49,200		26,720					Bal. 6,280	
Bal.	22,480								
Accounts Receivable					Unearned Design Revenue				
July 15	9,600	July 22	5,000				July 19	1,400	
Bal.	4,600								
Office Supplies									
July 5	5,200								
Prepaid Rent									
July 3	3,200								
Office Equipment									
July 6	16,320								
					Stockholders' Equity				
					Common Stock				
							July 1	40,000	
					Dividends				
							July 31	2,800	
					Design Revenue				
							July 10	2,800	
							15	9,600	
							Bal.	12,400	
					Wages Expense				
							July 26	4,800	
					Utilities Expense				
							July 30	680	

The T Account Illustrated

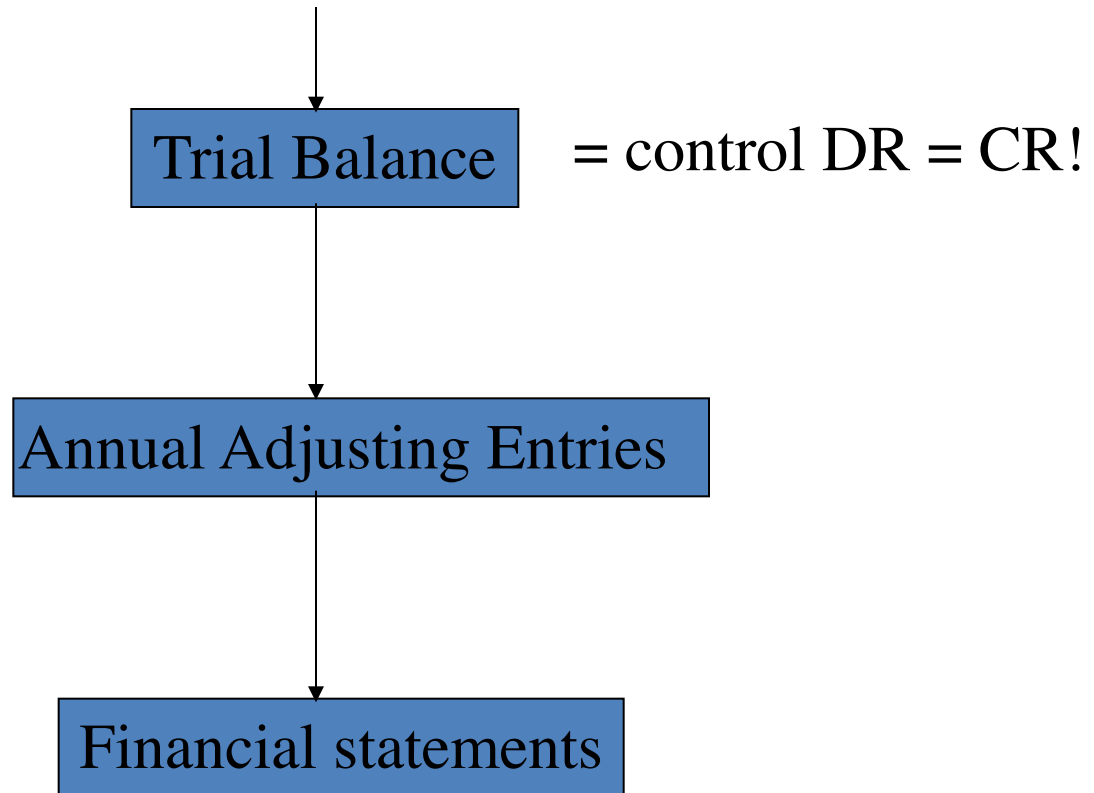
DR	Cash	CR
	100,000	70,000
	3,000	400
	<u> </u>	<u>1,200</u>
	103,000	71,600
Normal balance	31,400	

↓

Goes to Trial Balance

Not the same!

Chapter 2: Analyzing Business Transactions



The Trial Balance

Treadle Website Design, Inc. Trial Balance July 31, 20xx		
Cash	\$22,480	
Accounts Receivable	4,600	
Office Supplies	5,200	
Prepaid Rent	3,200	
Office Equipment	16,320	
Accounts Payable		\$ 6,280
Unearned Design Revenue		1,400
Common Stock		40,000
Dividends	2,800	
Design Revenue		12,400
Wages Expense	4,800	
Utilities Expense	680	
	\$60,080	\$60,080
Total each column		

Record debit
balances in left
column

Record credit
balances in right
column

Finding Trial Balance Errors

If the debit and credit totals are not equal, look for one or more of these errors:



- ✓ A debit was entered as a credit, or vice versa
- ✓ The balance of an account was computed incorrectly
- ✓ An error was made in carrying the account balance to the trial balance
- ✓ The trial balance was summed incorrectly

Chapter 2: Analyzing Business Transactions

