Chapter 1 continued

External Financial Reporting (exhibit 1.8)

> Useful
> relevant, timely, complete (notes), comparable, understandable
> Faithful Representation

Accounting Standards

> United States
> Financial Accounting Standards Board
> sets GAAP
> World
> International Accounting Standards Board
> sets IFRS (covered in acct 240)

Chapter 2 ➔ The Balance Sheet

\[ \text{assets} = \text{liabilities} + \text{stockholder's equity} \]

(Debt financing) (Equity financing)

Financing and Investing Activities

1. A company always documents its activities
2. A company always receives and gives (two halves)
3. A dollar amount is determined for each exchange

Cost Principle

4. Always record actual cost to the business (not market value)

External Transaction ➔ borrowing money from bank

Internal ➔ using supplies to make a product

Bartering is recorded as a cash transaction

5. If you don't record that, it's tax fraud