Installment sales	US GAAP:		
(payments received over a period	Certain collectibility: normal revenue recognition criteria		
of time)	Collectibility could not be estimated reasonably: Installment method. Profit recognised when cash is collected. Profit = cash collected x expected % profice of the cash is collected.		
	of sales		
	Highly uncertain collectibility: Cost recovery method (profit is recorded after recovery all costs)		
	IrNS: Castele cellectibility Discounted DV of installment normapt is reported as reported to time of colo		
	Certain conectionity: Discounted PV or instalment payment is recorded as revenue at the time of sale.		
	High uncertain callectibility Cost account method		
	righty uncertain conectionity. Cost recovery method.		
Barter transaction	LIS GAAP		
(exchange of goods or services)	revenue could be recognised at fair value if the Company has historically received cash payment for that goods/services and could use historical		
	experience to determined fair value		
	IFRS:		
	revenue must be based on fair value from similar non-barter transactions with third parties		
Gross revenue	Sales revenue and COS are separated		
Net revenue	Only report the difference between revenue and COS		
Criteria for Gross revenue	- Be the primary obligator under the contract		
reporting under US GAAP	- Bear the inventory risk and credit risk		
	- Be able to choose supplier		
	- Have reasonable latitude to establish the price		
Consider when analysing revevnue	- level of conservative of revenue recognition policies		
	- now much do the Company's policies rely on judgement and estimates		
Converged standards for revenue	1 I Identify contract/c) with sustance		
converged standards for revenue	L identify contract(s) with customer		
	2. Determine the transaction or rise		
	A Allocate transaction price to the performance obligations		
	S. Records trainsaction price to the performance obligations		
Contract	Agrement between 2 or more parties that specine's beir obligations / rights		
	Grow at 30		
Performance obligation	promise to deliver a disting good on ervice		
Transaction price	amout a celea o be received in the error of services		
Required disclosure	- Contracts by category		
	- Assets / liabilities related to the contract (including balances and changes)		
	- Outstanding performance obligations, and transaction price allocated to those		
	- Management judgement used in determining the amount and timing of revenu recognition		
-			
	Inventory		
Specific identification	Identify exactly which items were sold, which items remain		
(IFRS + US GAAP)			
FIEO	Eirst item nurchased is assumed to be the first item sold		
	First item purchased is assumed to be the first item sold		
	Last item nurchased is assumed to be the first item sold		
(US GAAP only)	Appropriate for inventory that does not deteriorate with age (Coal)		
Weighted average cost	Cost per unit = cost of available goods / total number of unit available		
(IFRS + US GAAP)			
· · · · · ·			

Invaliantian	Descinded / seles ) sellestion models
Implication	Receivable / sales -> collection problems
	Allowance for doubtful debt: relative to level of sales and growth rate
	Firm could underestimate bad debt → Increasse earnings
Inventories	Goods held for sale or used in manufacture of goods to be sold
	Invetories include: raw materials, WIP, finished goods
	Cost of inventories:
	- Include: Purchase cost, conversion costs, other costs neccessary to bring the invecntory to its presents location and condition
	- Exclude: abnormal wate (labor material overhead) storage (unless necressary as nart of the production) admin overhead and selling costs
	Carting method of goods produced
	Costing method of goods produced.
	- standard costing: assign predetermined amount of materials, labor overnead to goods produced
	- Retail method: Inventory cost = retail prices - gross profit
	IFRS: Inventories are reported at the lower of cost or net realisable value (selling price - completion costs - disposal costs)
	US.GAAP: Inventories are reported at the lower of cost or market (= replacement cost, but cannot be higher than net realisable value or (net realisable
	value - normal profit margin))
Other current assets	Amounts immaterial if show separately
	E.g:
	- Prepaid expenses: Operating costs that have been paid in advance
	- Deferred tax assets: tax navable > income tax expense. Reasons are: (1) expenses / losses are recognised before they are tax deductible (expenses
	recorded but not vet naid): or (2) income is tavable before it is recorded in IS (uncarned revenue)
	recorded but not yet para, or (2) means a taxable before it is recorded in to (uncarried revenue).
	L Current liabilities
Accounts Payable	Amounts the firm owes suppliers for goods / services purchased on credit
	Could indicate credit problem with suppliers
Netes esurelle	Nata analysis of the first in form of a manimum and to londer (that the if a the it is a first of the first is a first of the state of
Notes payable	Notes payable: Obligations in form of a promissory note to lengers (short-term if maturity < 1 year)
Current portion of LT debt	
	Current portion of LT debt: principle portion due within 1 year or 1 operating of the contract
Accrued liabilities	Expenses recognised but not yet due
	E.g. interest expense, wage payable, accrued that any payable, tax payable, 🕜
Unearned revenue	Cash collected in advance providing goods / services
Implication	Lin an exit we we not require fut to ask an (0)
	The sevenue would be recognised with the two we may indicate future growth
	Non-current assets
Properties, plant and equipments	Tangible assets used in the production of goods / services
roperties, plant and equipments	Densiti for more than 01 year or 01 production cycle
Cost model	PPE: reported at amortised cost (historical cost - accumulated depreciation / amortisation)
(IFRS & US GAAP)	Historical cost = purchasing price + costs to get assets ready to use (delivery, installation)
	*Must be tested for impairment.
	Carrying value > recoverable amount $\rightarrow$ impair
	Recoverable amount = FV - selling cost / or value in use
	Loss recoveries: allowed under IFRS. not under US GAAP
Revaluation model	EV - accumulated depreciation
(IEBS only)	
Le colore d'anna de	Parla da da da la d
investment property	Real estate that.
	- generate rental income; or
	- generate return on investment through future resale
	Reported at amortised cost (like PPE) or fair value (gain/loss through PL)
Intangible assets	Non-monetary assets, with no physical substance
Identifiable intangible assets	Can be acquired separately, as right of privileges for owners
	E.g: pantent, trademark, copyright
	Report using cost model (IFRS + US GAAP, similar to PPE) / or revaluation model (IFRS, only of active market exists)

Return on assets	$Return on assets = \frac{Net income}{Average total assets}$		
	Alternative calculation:		
	Alternative calculation:		
	$Return on assets = \frac{Net futorie + futorise expenses × (1 - du futorie)}{Average total assets}$		
Operating return on assets			
	$Operating return on assets = \frac{Operating income}{Average total assets} = \frac{EBT}{Average total assets}$		
Return on total capital	$Return on total capital = \frac{EBIT}{Average total capital}$		
	Total capital = ST debt + LT debt + preferred equity + common equity		
Return on equity	N + t in some		
	$Return on \ equity = \frac{Net \ income}{Average \ total \ equity \ (including \ preferred \ stock)}$		
Return on common equity	$Return on \ common \ equity = \frac{Net \ income - preferred \ dividends}{Average \ common \ equity}$		
	DuPont system of analysis		
DuPont system of analysis	Breakdown ROE into different ratios → impact of leverage, profit margins, turnover, tax burden and interest burden on return		
Original approach	$ROE = \frac{net \ income}{average \ equity} = \frac{net \ income}{revenue} \times \frac{revenue}{average \ equity} = \frac{net \ income}{revenue} \times \frac{revenue}{total \ assets} \times \frac{total \ assets}{average \ equity} = \frac{(net \ profit)}{(revenue)} \times (equity) = \frac{(net \ profit)}{(revenue)} \times (equity) = \frac{(net \ profit)}{(revenue)} \times (equity)$		
	Low ROE because at least one of th following: - Poor profit margin; - Poor asset turnover; - Too little leverage. - Too little leverage.		
Extended 5-way approach	$Rec = \frac{het \text{ argue}}{herage equity} = \frac{net \text{ income}}{2} \times \frac{EBT}{EBT} \times \frac{EBT}{total assets} \times \frac{evenue}{total assets} \times \frac{total assets}{average equity}$ $= \binom{evenu}{brden} \times \binom{EBIT}{margin} \times \binom{assets}{turnover} \times \binom{leverage}{ratio}$		
	Low ROE because at least one of th following: - Poor profit margin; - Poor asset turnover; - Too little leverage; - High tax burden; - High interest burden.		
	*Note: $\uparrow$ leverage $\rightarrow$ $\uparrow$ tax burden $\rightarrow$ might not always ROE		
	Valuation ratios		
Price to earning	Current market price of share ÷ eanrning per share Other similar measures: <b>Price to cash flow, price to sale, price to book value</b>		
Per share valuation	Earnings per share (basic and diluted) Cash flow per share, EBIT per share, EBITDA per share Not comparable between firms, because different number of outstanding shares		
Dividends	On a per-common-share basis Devidend declared: total dividend paid by firm (does not affect EPS & net income) Retained earnings = Net income - Dividend declared (determinant of the firm's sustainable growth rate) $g = RR \times ROE$ $RR = 1 - dividend payout = 1 - \frac{dividend declared}{met income available to common$		
	net income available to common		

Concepts	Description			
	Non-current liabilities			
Book value of bond	Book value of bond = PV of remaining CF discounted @ market interest rate a	at issuance		
	Market interest rate @ issuance = coupon rate $\rightarrow$ issue at par $\rightarrow$ book value	= face value		
	Market interest rate @ issuance < coupon rate $\rightarrow$ discount bond $\rightarrow$ book val			
Interest expense of bond	Interest expense = beginning book value liability x bond's yield @ issuance			
	Bond issue @ par $\rightarrow$ interest expense = coupon payment			
	Premium bond $\rightarrow$ interest expense > coupon payment			
	Discount bond $\rightarrow$ interest expense < coupon payment			
Bond's issuance cost	US. GAAP: capitalised as an asset, allocated to PL over the bond term			
	IFRS: issuance cost is reduced in bond liability			
	CFS: CFF inflow = (bond proceed - issuance cost)			
Bond's derecognition before	Gain / Loss = Redemption price - book value			
maturity	Under US. GAAP, written off remaining capitalised issuance cost $\rightarrow$ PL			
Debt covenant	Restrictions of the bondholders on the borrower $\rightarrow \downarrow$ default risk $\rightarrow$ protect bondholders			
	Animative covenant: Borrower promise to do certain things (make timely payments; maintain ratios and items of FS @ certain level; maintain collateral;			
	Negative covenant: Borrowe promise not to do certain things (Increase dividends; repurchase of share; issue more debt; M&A etc.)			
Pond's disclosure requirement	Outstanding of LT dobt, and nortion due within next years			
bond s disclosure requirement	- Nature of the liabilities:			
	- Mature of the habilities,			
	- Stated and effective interest rate:			
	- Call provisions and conversion priviledge:			
	- Restrictions:			
	- Assets pledged as security:			
	- Amount of debt maturing in each of the next 5 years.	- Amount of debt maturing in each of the next 5 years.		
		Salut		
Lease benefits	- Less costy finance: No initial down payment $\rightarrow$ lessee constructions in $\sim$			
	$-\downarrow$ risk of obsolescence: asset could be returned to less $-\downarrow$ receptor the lease;			
	- Less restrictive provisions: more flexible that one form of imancing, lease gree to be negotiated to better suit the needs of each party;			
	- Off-BS financing: Operating lease the BS is a like → lower leverage ration of mpared b borrowing fund to purchase assets;			
	- Tax reporting advantages synthetic lease (when SUB B long leaves to Could deduct both interest expense and depreciation expense as a Group)			
	revi nade			
Finance lease requirements	IFRS	US GAAP		
	- Title off leased assets transferred to the lessee @ end of the	- Title off leased assets transferred to the lessee @ end of the		
	lease;	lease;		
	- Lessee could purchase the leased asset for a price that is	- Lessee could purchase the leased asset for a price that is		
	significantly lower than FV of asset @ some future date	significantly lower than FV of asset @ some future date		
	- Lease term covers a major portion of asset's economic life	- Lease term ≥ 75% asset's economic life		
	- PV of lease payments ≈ FV of the leased asset			
	- Lease asset is so specialised that only lessee could use	- PV of lease payments $\geq$ 90% FV of the leased asset		
	without significant modification			
Lease disclosure requirements	- General description of the lease arrangement			
	<ul> <li>Nature, timing and amount of payments to be made/received in each of the next 5 years</li> </ul>			
	- Lease revenue / expense reported in PL for each period presented			
	- Amount receivable and unearned revenues from lease arrangement			
	- Restrictions of the lease agreements			
Pension	Deferred compensation earned over time through employee service			
	Defined contribution plan: Retirement plan which Company contributes a sum amount each period to the employee's retirement account. The firm make			
	no promise about the FV of the plan assets $\rightarrow$ Pension expense = the Compa	ny's contribution		
	Defined benefit plan: Retirement plan which the Company promises to make	periodic payments to employees after retirement $\rightarrow$ Company must estimate		
	its obligation to employees.	,,,,, , company more commute		
	FV of plan asset > estimated pension obligation $\rightarrow$ overfunded, net pension asset on BS			
	FV of plan asset < estimated pension obligation $\rightarrow$ underfunded, net pensior	n liability on BS		

Concepts	Description		
· · · ·	Financial Statement Analysis : Application		
Financial ratios	Trend in financial ratios and difference between firm's ratios and competitors' ratios: indicate important aspects of firm's business strategy.		
	E.g.:		
	GM of Companies sell premium goods > GM of companies sell normal goods		
	R&D cost of Companies sell premium goods > R&D cost of companies sell normal goods		
	GM/OM of Companies sell premium goods > GM/OM of companies sell normal goods		
	Company improve EPS by cutting cost $\rightarrow$ OM, GM overtime will reveal whether the company is able to implement the strategy, or sales have been suffered		
rorecast ruture net income and <b>1. start with forecasting sales:</b> Historical data could be used to estimate the GDP growth vs. Industry growth.			
cash flow	- If time smarket share is expected to remain the same, Firm Sales growth = industry growth.		
	- in time sinarket state is expected to increase/decrease, time sectionated safes = indirect state x estimated industry safes for the period.		
	2. In simple forecasting model, earlings could be forecasted using instorical average/ rend-adjusted measure of promability (on), EDT margin, net margin)		
	3. In complex forecasting model, items on BS/PL could be forecasted based on separate assumption about its growth in relation to revenue growth		
	4. Multi-period forecast: use single estimate of sals growth at some point		
	5. To estimate cash flow: assumption about sources and uses of cash (increase in WorkingCap, CAPEX on new FA, issuance/repayment of debt,		
	issuance/repurchase of stock. Future interest expense should be adjusted for any increase in debt)		
Credit analysis	1. Character: firm management's professional reputation, firm's history of debt repayment		
	2. Collateral: ability to pledge collateral $\rightarrow$ reduce lengers risk		
	3. Capacity to repay: require close examination of FS and ratios		
	Credit analysis of credit agencies (S&P. Moody)		
	1. Scale and diversification: Wider variety of product line, greater geographic diversification $\rightarrow$ better credit risk		
	2. Operating efficiency (operating ROA, OM, EBITDA margin): higher operating efficiency $\rightarrow$ better credit risk		
	3. Margin stability: More stable profitability margin $\rightarrow$ higher probability of repayment $\rightarrow$ better credit risk		
	4. Leverage ( [operating earning or EBITDA or Free CF] / [interest expense or total debt]): greater earnings relation to dobt -> better credit risk		
Use of FS analysis for stock	1. Use multiple criteria, since single factor moght include firms with undesirable char ct rivics (e.g.: low P/E ratio $\rightarrow$ operating losses, decline sales, or high		
screening	leverage) * micht include / ovelude manu/all firme in particular industry (S. 2. avelude muth companies, Jaw P/DV, ar high dividend. 2. include financial		
	service companies		
	2. Back testing: using a step fit set of criteria to assess his with purformance $\Rightarrow$ forecast future performance.		
	* No guarantee to the the sock that outperformed in the back to a dominue to do so		
Appropriate FS adjustments	nv Sry Accounting: Adjust L 10 b Frt		
comparison	- FIFO ending inventory = LIFO ending inventory + ending LIFO reserve		
	- FIFO COGS = LIFO COGS - (ending LIFO reserve - beginning LIFO reserve)		
	Depreciation method and estimates:		
	- Difference in depreciation method, useful life and salvage value $\rightarrow$ difference in income and BS value		
	- Adjust upward in asset revaluation recorded in PL or OCI Extingent and age (semailing value, (depresidence expense)) and useful life (Historical cost (depresidence)) and ave remaining useful life (not		
	<ul> <li>Estimate avg. agg (remaining value / uppreciation expense), avg. userue me (instonticat to str/ uppreciation expense) and avg. remaining userum me (net book value / depreciation expense) are avail in future canital sounding needs compared to inductry.</li> </ul>		
	book value / depreciation expense) / reveal in future capital spending needs compared to industry		
	Off-BS financing:		
	- Include operating lease in debt ratios		
	Estimate PV of operating lease = $\frac{PV}{PV}$ of financing lease v sum of future operating lease payments		
	sum of future financing lease payments		
	Conduille		
	Goodwill should be subtracted from assots when calculating financial ratios		
	- Goodwill impairment expense in current period should be reversed. → increase earnings		
	oboutin imposition expense in current period should be reversed - > increase carrings		