Financial Statements – the Annual Report

- Management Discussion
- Auditor's Report
- Consolidated Balance Sheet
- Consolidated Net Income
- Consolidated Statement of Stockholders Equity
- Consolidated Cash Flow Statements
- Notes to Accounts

Balance Sheet: Liabilities

- **Long-Term Liabilities**
  - Obligations usually expected to require payment over a period of time beyond one year.
  - Usually financing obligations, e.g., arising from issuance of bonds, long-term notes, and mortgages.
  - The maturity date, the rate of interest, and any security pledged to support the borrowing agreement should be clearly shown.

Transactions and the Accounting Equation

Cash	+	A/R	+	Equip.	=	L/P	+	C. Cap.	+	R/E
+10,000								+10,000		

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Cash	+	A/R	+	Equip.	=	L/P	+	C. Cap.	+	R/E
+10,000								+10,000		
+ 3,000						+ 3,000				

Transactions and Accounting Equation

Cash	A/R	Equip.	L/P	C. Cap.	R/E
+10,000				+10,000	
+ 3,000			+ 3,000		
- 5,000		+ 5,000			
+ 8,000	+ 4,000				***+12,000***
- 9,000					***- 9,000***
- 1,000					***- 1,000***
6,000	4,000	5,000	3,000	10,000	+ 2,000

Home work problem:
Initial Balance Sheet

Starting a Company

- (1) Issues 50,000 shares of $10 par value common stock at par value for cash.
- (2) Acquires land and building costing $225,000 with the payment of $50,000 cash and the assumption of a 20-year, 8-percent mortgage for the balance.
- (3) Purchases a used crane for $13,200 cash
- (4) Acquires raw materials costing $8,600 on account.

Recording of transactions

Cash + OCA + PP&E + ONCA = CL + NCL + SE

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

(11)