01.12.15 # Chapter 1 continued

External Financial Reporting (exhibit 1.8)

↳ Useful

- ↳ relevant → timely, complete (notes), comparable, understandable
- ↳ Faithful Representation

P.18 Accounting Standards

↳ United States

- ↳ Financial Accounting Standards Board
  - ↳ sets GAAP

↳ World

- ↳ International Accounting Standards Board
  - ↳ sets IFRS (not covered in ACCT 240)

P.19 Sarbanes-Oxley Act

↳ In direct response to a largely unethical case (more later)

01.12.15 # Chapter 2 → The Balance Sheet

assets = Liabilities (debt financing) + Stockholder's Equity (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 ammount is determined for each exchange

Cost Principle

↳ 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

↳ if you don't record that's tax fraud