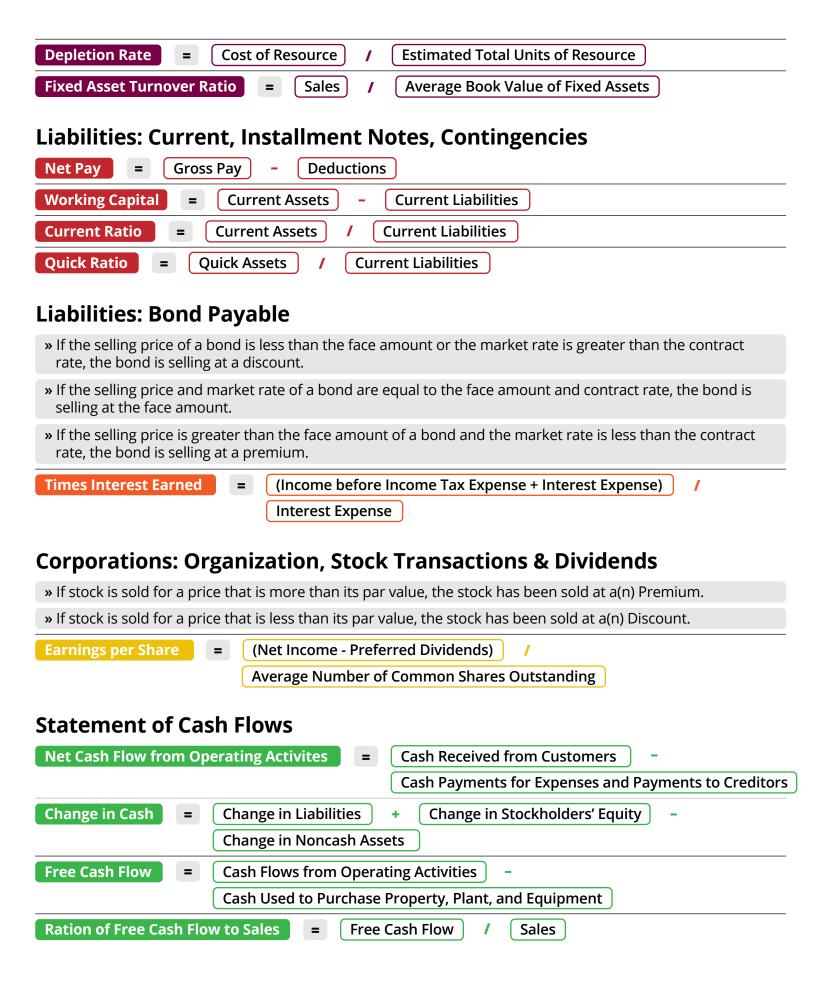


Intro to Accounting Liabilities **Assets** Equity **Net Income or Net Loss** Revenues **Expenses** = **Ending Retained Earnings** = **Beginning Retained Earnings** Net Income (or subtract if a net loss) **Dividends Net Increase/Decrease In Cash Cash Flows from Operating Activities** Cash Flows from Investing Activities **Cash Flows from Financing Activities** Ratio of Liabilities to Stockholders' Equity = **Total Liabilities Total Stockholders' Equity Analyzing Transactions Balance of Account Credits Debits** » Asset accounts have a normal Debit balance. » The dividends account has a normal Debit balance. » Revenue accounts have a normal Credit balance. » Expense accounts have a normal Debit balance. » Liabilities and retained earnings accounts normally have a Credit balance. » The retained earnings account includes income statement accounts and the Dividends account. The Adjusting Process **Net Book Value** Costs **Accumulated Depreciation Ending Depreciation Beginning Accumulated Depreciation Depreciation Expense Accumulated Depreciation for Retiring Assets Ending Supplies Beginning Supplies Supplies Bought Supplies Expense** = **Ending Prepaid Expense Beginning Prepaid Expense Additional Payments** Expense **Completing the Accounting Cycle Working Capital Current Liabilities** = **Current Assets Current Ratio Current Liabilities** = **Current Assets** » Temporary accounts require closing entries. » Revenue and expense accounts are closed to the Income Summary account.

Accounting for Merchandising Businesses Gross Profit Sales Cost of Goods Sold **Inventory Account Balance** Physical Inventory on Hand Inventory Shrinkage = **Asset Turnover Ratio** Sales **Average Total Assets Inventories** Weighted Average Unit Cost (under periodic inventory system) Total Costs of Units Available for Sale **Units Available for Sale** Net Realizable Value **Estimated Selling Price Direct Costs of Disposal** = **Inventory Turnover** Cost of Goods Sold **Average Inventory** = **Average Daily Cost of Goods Sold Number of Days' Sales in Inventory Average Inventory** Internal Control & Cash » A company's checking account balance is a(n) liability in the bank records. » A credit memo entry on the bank statement shows an increase to the company's account, while a debit memo entry on the bank statement shows a decrease in the company's account. **Daily Cash Operating Expenses** (Operating Expenses - Depreciation Expenses) 365 Days **Days' Cash on Hand** Cash & Short-Term Investments **Daily Cash Operating Expenses Receivables Net Realizable Value** = **Accounts Receivable** Allowance for Doubtful Accounts » After the adjusting entry is recorded, Allowance for Doubtful Accounts should always have a(n) Credit balance. Interest **Face Amount Interest Rate** (Term x 360 Days) **Maturity Value** = **Face Amount** Interest **Accounts Receivable Turnover** Sales **Average Accounts Receivable** Number of Days' Sales in Receivables **Average Accounts Receivable Average Daily Sales** Long-Term Assets: Fixed & Intangible **Depreciable Cost** = **Initial Cost** Residual Value **Annual Depreciation (Straight-Line Method)** (Cost - Residual Value) Useful Life **Straight-Line Rate** 100% **Useful Life** Depreciation per Unit (Cost - Residual Value) Total Estimated Units of Activity / **Double-Declining-Balance** Straight-Line Rate



Financial Statement Analysis

