

# **MODULE 03: FINANCIAL ANALYSIS**

## **Lecture Title 03: FINANCIAL STATEMENTS**



**Lecturer: Antoine P. Portelli**

**Date: 18 January 2025**

**Undergraduate Diploma in  
Business Administration**

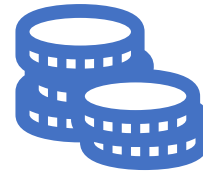
# Today's Agenda



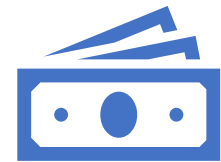
Financial  
Statements



Income Statement



Balance Sheet



Cashflow  
Statement

# Trial Balance

Trial balance for George's Catering on the 31 <sup>st</sup> of May 2010			
	FOLIO	DEBIT \$	CREDIT \$
Baking equipment	100	12,000	
Debtors	101	0	
Bank	102	14,800	
Capital	300		15,000
Drawings	301	500	
Loan	200		1,000
Creditors	201		0
Services rendered	400		15,500
Salaries	500	4,000	
Telephone expense	501	200	
		<u>31,500</u>	<u>31,500</u>



# Balance Sheet

GEORGE'S CATERING BALANCE SHEET AS AT 31 MAY 2010		
		€
<u>FIXED ASSETS</u>		
<u>TOTAL FIXED ASSETS</u>		
<u>CURRENT ASSETS</u>		
<u>TOTAL CURRENT ASSETS</u>		
<u>TOTAL ASSETS</u>		
REPRESENTED BY:		
<u>CAPITAL</u>		
<u>TOTAL CAPITAL</u>		
<u>CURRENT LIABILITIES</u>		
<u>TOTAL CURRENT LIABILITIES</u>		
<u>TOTAL CAPITAL &amp; LIABILITIES</u>		



# Balance Sheet - worked

GEORGE'S CATERING		
BALANCE SHEET		
AS AT 31 MAY 2010		
	€	€
<u>FIXED ASSETS</u>		
Baking Equipment		<u>12,000</u>
<u>TOTAL FIXED ASSETS</u>		<u>12,000</u>
<u>CURRENT ASSETS</u>		
Debtors	-	
Bank	<u>14,800</u>	
<u>TOTAL CURRENT ASSETS</u>		<u>14,800</u>
<u>TOTAL ASSETS</u>		<u>26,800</u>
REPRESENTED BY:		
<u>CAPITAL</u>		
Capital	15,000	
Less Drawings	- 500	
Add Profits	<u>11,300</u>	
<u>TOTAL CAPITAL</u>		<u>25,800</u>
<u>CURRENT LIABILITIES</u>		
Loan	1,000	
Creditors	<u>-</u>	
		<u>1,000</u>
<u>TOTAL CURRENT LIABILITIES</u>		<u>1,000</u>
<u>TOTAL CAPITAL &amp; LIABILITIES</u>		<u>26,800</u>



# Income Statement

GEORGE'S CATERING		
INCOME STATEMENT		
FOR THE PERIOD ENDED 31 MAY 2010		
		€
<u>REVENUE</u>		
Services Rendered		15,500
<b>TOTAL REVENUE</b>		<b>15,500</b>
<u>EXPENSES</u>		
Salaries	4,000	
Telephone Expense	200	
<b>TOTAL EXPENSES</b>		<b>4,200</b>
<u>NET PROFIT</u>		<b>11,300</b>





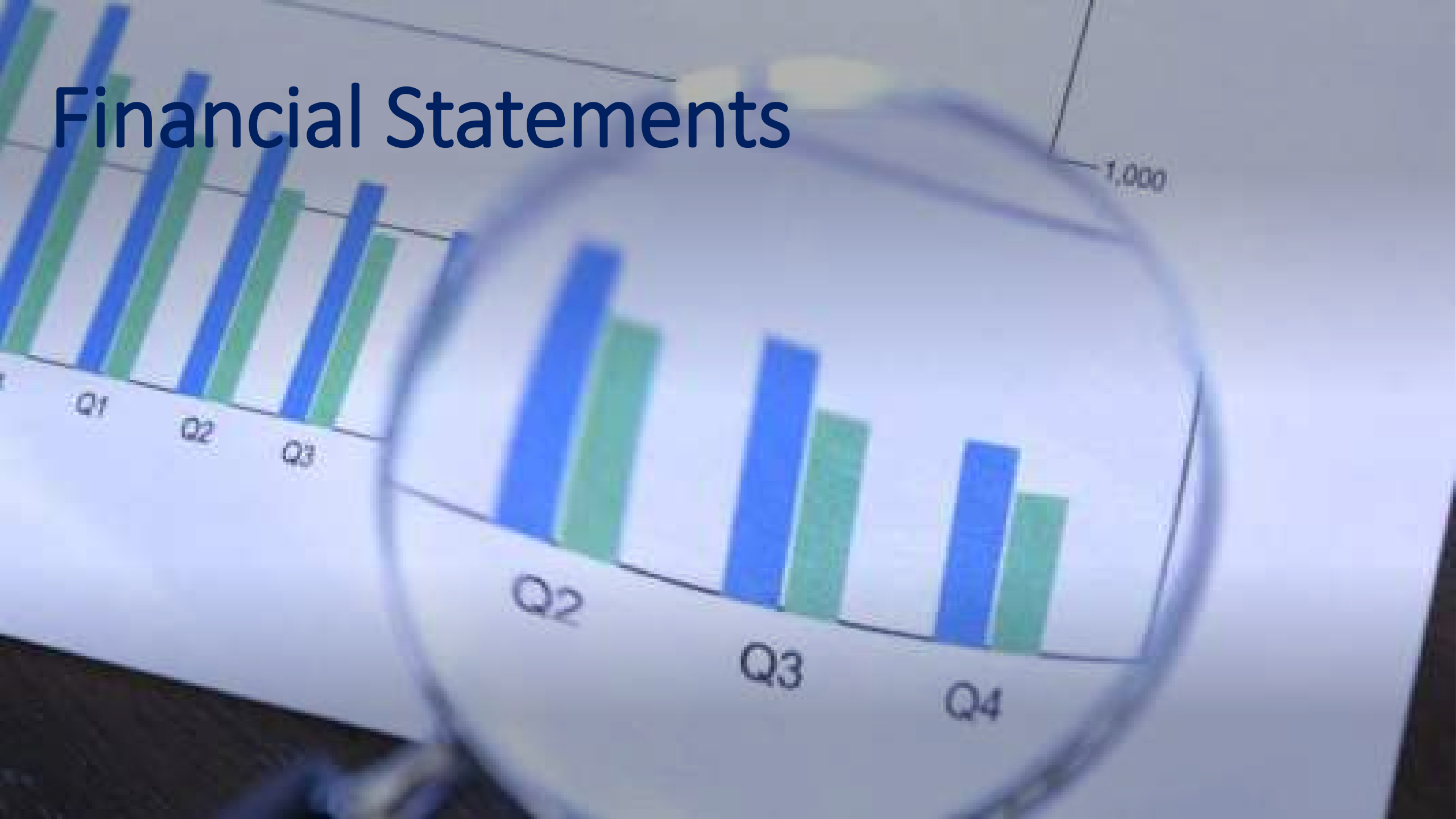
## The Trial Balance

Post-closing trial balance:

- It is done after the period is closed
- Groups all the Nominal Ledger Accounts
- It is usually asked for by the auditors when they begin an audit



# Financial Statements





# International Accounting Standards

- A complete set of financial statements comprises:
  - a statement of financial position,
  - a statement of profit or loss and other comprehensive income,
  - a statement of changes in equity;
  - a statement of cash flows.



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# International Accounting Standards

## IAS 1 Presentation of Financial Statements

- Was reissued in September 2007 and applies to annual periods beginning on or after 1 January 2009
- It prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods as well as with the financial statements of other entities.
- Sets out the overall requirements for the presentation of financial statements, guidelines for their structure, minimum requirements for their content and certain overriding concepts such as the going concern, the accrual basis of accounting and the current/non-current distinction



# International Accounting Standards

## IAS 7 Statement of Cash Flows

- requires an entity to present a statement of cash flows using either the 'direct' or the 'indirect' method
- to provide information on the historical changes in cash and cash equivalents
- by classifying cash flows into operating activities, investing activities or financing activities



# Financial Accounts

- The financial accounts are
- Legally required
- Focused on history (reports on the prior period)
- Are reported in a specific format
- Their rules are prescribed by standards
- Are defined to be reported annually, semi-annually, quarterly or even monthly
- Are mostly of monetary nature



# Statutory financial statements

- Income Statement
- Statement of Financial Position
- Cashflow Statement
- Audited Financial Statements
- Tax Returns
- VAT Returns



# Income statement ... or profit & loss a/c ?

- Provides information on the results of the business activity for the particular period
- **Revenue**: Turnover; Sales of Goods; Provision of Services; Other Income
- **Cost of Sales**: Opening/Closing Stock; Purchases; Manufacturing Costs
- **GROSS PROFIT**
- **Expenses**: Marketing; Administration; Financial
- **Depreciation**
- **NET PROFIT** before TAX



# The Income Statement

- The Income Statement is also called Profit and loss account
- A business determines whether it would have made a profit or loss for a particular period of time, normally one year
- Has a pre-set format
- May have comparative figures for previous period



# The Income Statement

<i>Income Statement for the year ended 31st December 2015</i>		
	€	€
Sales		6,700
<i>Less Cost of Sales:</i>		
Opening Stock	300	
Add Purchases	4,260	
	4,560	
Less Closing Stock	-550	-4,010
<i>Gross Profit</i>		2,690
<i>Less Expenses:</i>		
Wages	520	
Water & Electricity	190	
Rent	240	
General Expenses	70	
Carriage Outwards	110	-1,190
<i>Net Profit</i>		1,560





# Income Statement

## INCOME STATEMENTS

		Year ended 31 January			
		2006		2005	
	Notes	\$'000	\$'000	\$'000	\$'000
Revenue	4	40,766	32,036	48,338	41,200
Cost of sales	22	(187,398)	(177,021)	(188,889)	(221,119)
Gross profit		15,409	15,015	29,449	19,081
Selling and distribution costs	23	(76,893)	(8,732)	(7,887)	(8,300)
Administrative expenses	23	(140,366)	(11,421)	(9,240)	(6,431)
Operating profit		15,448	5,871	9,489	4,351
Finance income	25	—	—	28	43
Finance costs	27	(1,243)	(1,495)	(287)	(272)
Profit before tax		14,205	4,376	9,230	4,122
Tax expense (benefit)	28	264	(2,094)	1,589	(214)
Profit for the year		14,469	2,282	10,819	3,908
Basic and diluted earnings per share for the year attributable to shareholders	31	\$0.424	\$1.119		

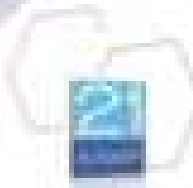


# Statement of Comprehensive Income

## STATEMENTS OF COMPREHENSIVE INCOME

	For the period ended 31 January			
	2022		2021	
	2022	2021	2022	2021
Revenue	10,000	9,000	10,000	9,000
Profit for the year	12,420	1,120	10,270	1,000
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Cash flow changes out of derivatives	50	50	100	50
Other comprehensive income for the year	50	50	100	50
Total comprehensive income for the year attributable to equity holders	12,470	1,170	10,370	1,050

The notes on pages 10 to 15 are an integral part of these consolidated financial statements.



# Balance sheet... or statement of financial position !

- Provides a SNAP SHOT of the status and position of the Business Organisation at a PARTICULAR moment in time, e.g. 31 December 2021
- 3 main sections:
  - ASSETS
  - LIABILITIES
  - EQUITY / RETAINED EARNINGS



# WHAT ARE ASSETS ?

What the business possesses

- Fixed Assets
  - Tangible / Intangible
- Current Assets
  - Stock
  - Receivables (or Debtors)
  - Cash in Hand
  - Bank holdings



# ...and liabilities ?

- What the business owes
- LONG-TERM LIABILITIES
- Bank Loans (due over 1 year)
- CURRENT LIABILITIES
- Payables (or Creditors)
- Accruals
- Bank Overdrafts
- Statutory Dues (Tax/VAT/FSS)



# Assets minus liabilities = equity

Value of what the business possesses

**LESS**

Value of what the business owes to others

**RESULTS IN**

Net Value of Business

**EQUITY (SHARE CAPITAL)**

Retained Earnings (past profits)



# Samples of Financial Statements

## UNIT 10 FINANCIAL STATEMENTS AND ACCOUNTING INFORMATION

1. Financial statements of a corporation  
as at 31 December 2021

	2021	2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in land	4,100,000	4,100,000
Investment in equity	1,000,000	1,000,000
Non-current assets	<u>5,100,000</u>	<u>5,100,000</u>
<b>Current assets</b>		
Financial assets at fair value through profit or loss	140,000	140,000
Prepayments and deferred income	6,000	11,000
Cash at bank and in hand	2,140	5,761
Accrued income	87,000	-
Current assets	<u>245,140</u>	<u>166,761</u>
<b>Total assets</b>	<u>5,345,140</u>	<u>5,266,761</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	1,000,000	1,000,000
Current liabilities	<u>1,000,000</u>	<u>1,000,000</u>
<b>Total liabilities</b>	<u>1,000,000</u>	<u>1,000,000</u>
<b>Equity</b>		
Share capital	4,000,000	4,000,000
Retained income	1,345,140	266,761
Equity	<u>5,345,140</u>	<u>4,266,761</u>
<b>Total liabilities and equity</b>	<u>5,345,140</u>	<u>5,266,761</u>

Management is responsible for preparing the financial statements. The Directors are not aware of any material uncertainties relating to assets or liabilities that could arise at 31 December 2021.

Approved  
2022

Chair of the Board  
2022

## Q30 P.L.C

Financial Statements for the year ended 31 December 2021

### STATEMENT OF FINANCIAL POSITION

(as at 31 December 2021)

	Notes	2021 €	2020 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in land	5	4,100,000	4,100,000
Deferred Tax		70,000	-
<b>Total current assets</b>		<u>4,270,000</u>	<u>4,100,000</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	7	140,000	140,000
Prepayments and deferred income		6,000	11,000
Cash at bank and in hand	8	2,140	5,761
Accrued income		87,000	-
<b>Total current assets</b>		<u>245,140</u>	<u>166,761</u>
<b>Total assets</b>		<u>4,515,140</u>	<u>4,266,761</u>



# Samples of Financial Statements

**APPENDIX 1**  
**FINANCIAL STATEMENTS OF THE UNIVERSITY OF WOLFELEIGH**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
<b>ASSETS</b>		
Non-current assets		
Land and buildings	4,075,540	4,075,540
Plant and equipment	1,500,000	1,500,000
Intangible assets	2,075,540	2,075,540
Current assets		
Trade receivables and other receivables	1,000,000	1,000,000
Prepaid expenses	500,000	500,000
Inventory	500,000	500,000
Current liabilities	(2,000,000)	(2,000,000)
<b>Total assets</b>	<b>6,075,540</b>	<b>6,075,540</b>
<b>EQUITY AND LIABILITIES</b>		
Equity		
Share capital	1,000,000	1,000,000
Reserves	5,075,540	5,075,540
<b>Total equity</b>	<b>6,075,540</b>	<b>6,075,540</b>
<b>LIABILITIES</b>		
Current liability		
Other payables	(2,000,000)	(2,000,000)
<b>Total liabilities</b>	<b>(2,000,000)</b>	<b>(2,000,000)</b>
<b>Total equity and liabilities</b>	<b>6,075,540</b>	<b>6,075,540</b>

The accompanying notes form an integral part of these financial statements. The financial statements on pages 4 to 20 were authorised and signed by the board of directors on 14 September 2022.

Antonio Rossi  
Director

Elena Spinozza  
Director

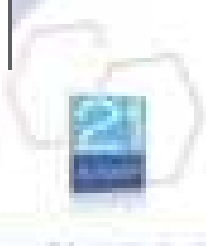
**EQUITY AND LIABILITIES**

<b>EQUITY</b>			
Share capital	10	40,000	40,000
Accumulated losses		60,775	(67,500)
<b>Total equity</b>		<b>100,775</b>	<b>(27,500)</b>
<b>LIABILITIES</b>			
<b>Current liability</b>			
Other payables	11	98,348	100,070
<b>Total current liabilities</b>		<b>98,348</b>	<b>100,070</b>
<b>Non-current liabilities</b>			
Derivatives	13	0,000,000	0,000,000
Derivative financial liabilities	14	1,240,502	1,080,502
<b>Total non-current liabilities</b>		<b>1,240,502</b>	<b>1,080,502</b>
<b>Total liabilities</b>		<b>1,338,850</b>	<b>1,180,572</b>
<b>Total equity and liabilities</b>		<b>1,439,625</b>	<b>1,152,978</b>

The accompanying notes form an integral part of these financial statements. The financial statements on pages 4 to 20 were authorised and signed by the board of directors on 14 September 2022.

Antonio Rossi  
Director

Elena Spinozza  
Director





# Samples of Financial Statements

## 0000 P.L.C

Financial Statements for the year ended 31 December 2021

Profit or loss and other comprehensive income  
for the year ended 31 December 2021

	2021	2020	2019
Interest income	1	1,200,000	800,000
Administrative expenses	2	(800,000)	(600,000)
Operating profit		400,000	200,000
Net fair value movements on investments in gold	3	(1,000,000)	(200,000)
Net fair value movements on financial instruments at fair value through profit or loss	3, 12	(1,500,000)	(1,000,000)
Finance costs		(1,000,000)	(800,000)
Profit for the year		(1,100,000)	(1,000,000)
Income tax expense		(500,000)	-
Net comprehensive profit for the year		(1,600,000)	(1,000,000)

12. Significant accounting policies

13. Significant accounting policies

14. Significant accounting policies

15. Significant accounting policies

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Financial Statements for the year ended 31 December 2021

Profit or loss and other comprehensive income  
for the year ended 31 December 2021

	Notes	2021 £	2020 £
Interest income	4	250,000	170,000
Administrative expenses	5	(40,000)	(20,000)
Operating profit		210,000	150,000
Net fair value movements on investment in gold	6	170,000	40,000
Net fair value movements on financial instruments at fair value through profit or loss	7, 12	(120,000)	(70,000)
Finance costs		(100,000)	(100,000)
Profit for the year		180,000	(100,000)
Income tax credit (expense)		70,000	-
Total comprehensive profit for the year		250,000	(100,000)



# Statement of Financial Position

## STATEMENTS OF FINANCIAL POSITION

### ASSETS

	As at 31 January			
	2008	2007	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>				
Property, plant and equipment	100,000	10,000	100,000	100,000
Intangible assets	1,000	1,000	1,000	1,000
Investment in associates	-	-	1,000	1,000
Financial assets	1,000	1,000	1,000	1,000
Trade and other receivables	1,000	1,000	1,000	1,000
Prepaid expenses	10,000	10,000	10,000	10,000
<b>Current assets</b>				
Inventory	10,000	10,000	10,000	10,000
Trade and other payables	10,000	10,000	10,000	10,000
Current tax assets	-	-	-	-
Cash and cash equivalents	10,000	10,000	10,000	10,000
<b>Total current assets</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>
<b>Total assets</b>	<b>141,000</b>	<b>51,000</b>	<b>141,000</b>	<b>141,000</b>



# Statement of Financial Position

	As at 31 January			
	2022		2021	
	2022	2021	2022	2021
	€ 000	€ 000	€ 000	€ 000
<b>Equity and reserves attributable to owners of the Company</b>				
Share capital	50	50,000	50,000	50,000
Reserves and other equity	15,517	84,000	84,000	84,000
Intangible assets	50	2,000	2,000	2,000
Property, plant and equipment	10,000	10,000	10,000	10,000
<b>Total equity</b>	<b>115,567</b>	<b>146,000</b>	<b>146,000</b>	<b>146,000</b>
<b>Non-current liabilities</b>				
Trade and other payables	50	5,000	5,000	5,000
Other liabilities	50	5,000	5,000	5,000
Provisions for employee benefits	50	50	50	50
Intangible assets	50	2,000	2,000	2,000
Provisions for other liabilities and charges	50	50	50	50
<b>Total non-current liabilities</b>	<b>250</b>	<b>10,600</b>	<b>10,600</b>	<b>10,600</b>
<b>Current liabilities</b>				
Trade and other payables	50	10,000	10,000	10,000
Other liabilities	50	50	50	50
Provisions for employee benefits	50	50	50	50
Intangible assets	50	50	50	50
Provisions for other liabilities and charges	50	50	50	50
<b>Total current liabilities</b>	<b>250</b>	<b>10,600</b>	<b>10,600</b>	<b>10,600</b>
<b>Total liabilities</b>	<b>500</b>	<b>21,200</b>	<b>21,200</b>	<b>21,200</b>
<b>Total equity and liabilities</b>	<b>115,567</b>	<b>146,000</b>	<b>146,000</b>	<b>146,000</b>



# Statement of Changes in Equity

## STATEMENTS OF CHANGES IN EQUITY

GROUP

	2019	2018	2017	2016	2015
Balance at 1 January 2019	1,100	1,100	1,100	1,100	1,100
Shareholder's share					
Retained Earnings					
Other comprehensive income					
Additional contribution of shareholder	100	100	100	100	100
Shareholder's share	100	100	100	100	100
Retained Earnings	1,000	1,000	1,000	1,000	1,000
Balance at 31 December 2018	1,200	1,200	1,200	1,200	1,200
Balance at 1 January 2018	1,100	1,100	1,100	1,100	1,100
Shareholder's share					
Retained Earnings					
Other comprehensive income					
Additional contribution of shareholder	100	100	100	100	100
Shareholder's share	100	100	100	100	100
Retained Earnings	1,000	1,000	1,000	1,000	1,000
Balance at 31 December 2017	1,200	1,200	1,200	1,200	1,200
Balance at 1 January 2017	1,100	1,100	1,100	1,100	1,100
Shareholder's share					
Retained Earnings					
Other comprehensive income					
Additional contribution of shareholder	100	100	100	100	100
Shareholder's share	100	100	100	100	100
Retained Earnings	1,000	1,000	1,000	1,000	1,000
Balance at 31 December 2016	1,200	1,200	1,200	1,200	1,200



# Company Announcements



The background of the image is a blurred cityscape at night. It features various bokeh lights in shades of blue, cyan, and yellow. On the right side, there is a large, illuminated digital display showing the number '150'. The overall aesthetic is modern and technological.

Profitability

# Profitability



Financial Items:

Sales, Purchases, Expenses Paid, Incomes Received.



Non-Financial  
Items:

Depreciation,  
Revaluations, Accruals,  
Prepayments, Provisions.



Both have a direct affect on the  
business profitability. Why?

# Importance of Profitability



Profitability represents the main measure of success within an organisation



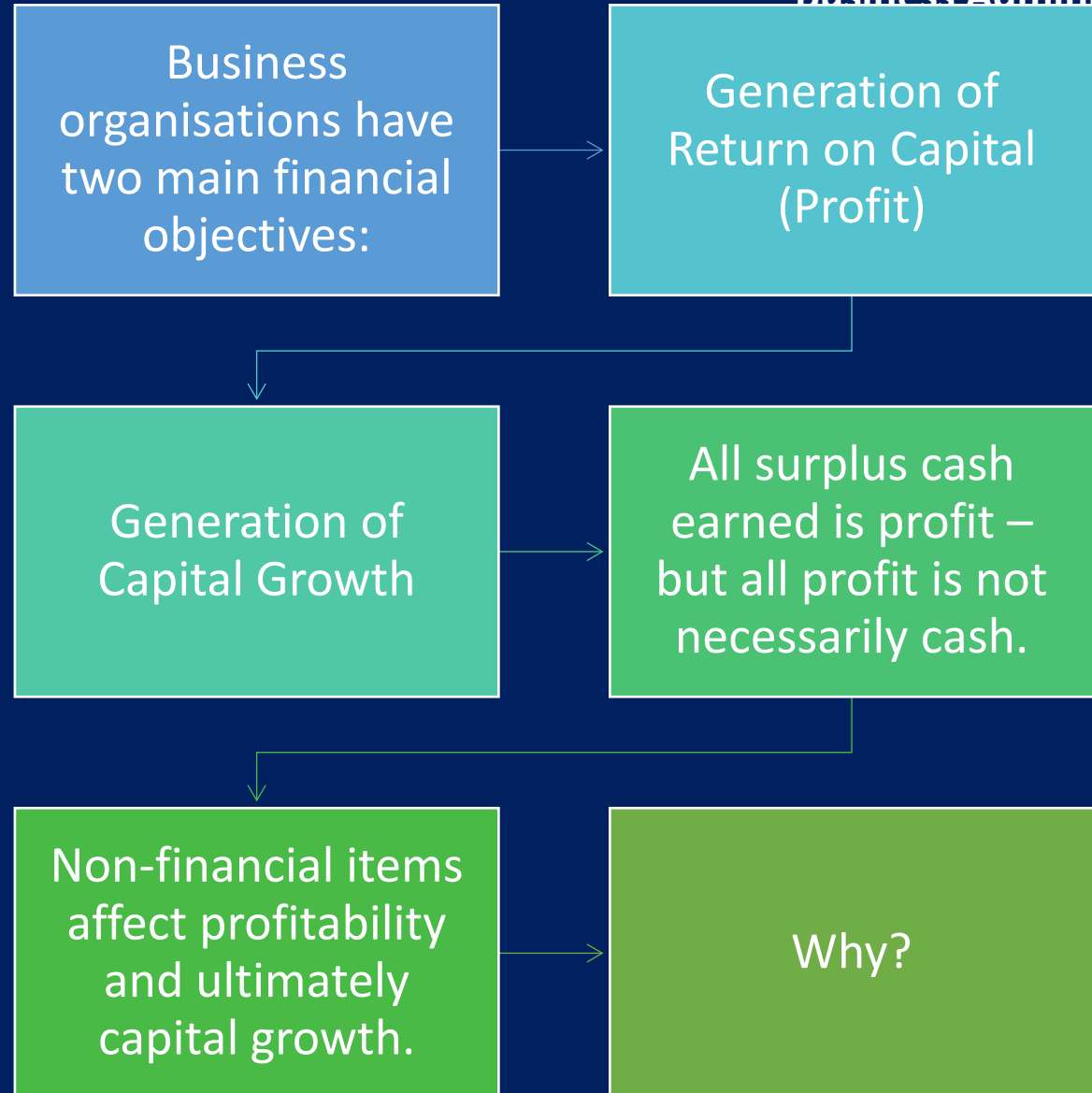
Hence owners or shareholders will decide whether the business is sufficiently profitable for them to retain their investment



This decision is based upon the owners' cost of capital



# Cash vs Profit



# Cashflow Statement

## Cash

comprises cash  
(notes and coins) in  
hand;

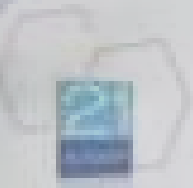
and deposits in  
banks or similar  
institutions that are  
available on  
demand.

## Cash equivalents – short term

highly liquid  
investments that are  
readily convertible to  
known amounts of  
cash and which are  
subject to an  
insignificant risk of  
changes in value.



# Class Work



# Let's do some class work

- Trial Balance
- Classify the Nominal Ledger Accounts
- Identify where these sit in the Income Statement or Balance Sheet
- Total the Statements
  
- Did we post a profit ?



**NAXXAR RETAIL COMPANY LIMITED****TRIAL BALANCE****AS AT 31 DECEMBER 2022**

	<b>DR</b>	<b>CR</b>
	<b>€</b>	<b>€</b>
Accounting Fees	2,800	
Accruals		2,306
Bank Balances	1,134	
Bank Charges	921	
Bank Loans (over 12 months repayments)		26,000
Buildings	58,000	
Closing Stock		19,445
Creditors		3,250
Debtors	11,810	
Insurance	305	
Investments in Shares of Other Companies	15,000	
Legal Fees	5,500	
Motor Expenses	1,960	
Motor Vans	3,500	
Opening Stock	24,330	
Prepayments	1,200	
Purchases - Foreign	14,420	
Purchases - Local	16,550	
Rent	1,560	
Retained Earnings		35,521
Salaries and Wages	4,850	
Sales - Clothing & Accessories		55,400
Sales - Shoes		26,645
Share Capital		20,000
Shop Fixtures	3,960	
Stock at End of Year	19,445	
Sundry Expenses	806	
Water & Electricity expenses	516	
	<b>188,567</b>	<b>188,567</b>

Undergraduate Diploma in  
Business Administration



## Undergraduate Diploma in Business Administration

	DR	CR	CLASSIFY	
	€	€	Income Statement	Balance Sheet
Accounting Fees	2,800			
Accruals		2,306		
Bank Balances	1,134			
Bank Charges	921			
Bank Loans (over 12 months repayments)		26,000		
Buildings	58,000			
Closing Stock		19,445		
Creditors		3,250		
Debtors	11,810			
Insurance	305			
Investments in Shares of Other Companies	15,000			
Legal Fees	5,500			
Motor Expenses	1,960			
Motor Vans	3,500			
Opening Stock	24,330			
Prepayments	1,200			
Purchases - Foreign	14,420			
Purchases - Local	16,550			
Rent	1,560			
Retained Earnings		35,521		
Salaries and Wages	4,850			
Sales - Clothing & Accessories		55,400		
Sales - Shoes		26,645		
Share Capital		20,000		
Shop Fixtures	3,960			
Stock at End of Year	19,445			
Sundry Expenses	806			
Water & Electricity expenses	516			
	<b>188,567</b>	<b>188,567</b>		



**NAXXAR RETAIL COMPANY LIMITED**

**INCOME STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

		€
<b>REVENUE</b>		
<b>TOTAL REVENUE</b>		
<b>COST OF SALES</b>		
<b>COST OF GOODS SOLD</b>		
<b>GROSS PROFIT</b>		
<b>EXPENSES</b>		
<b>TOTAL EXPENSES</b>		
<b>NET PROFIT / (LOSS)</b>		

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**NAXXAR RETAIL COMPANY LIMITED**  
BALANCE SHEET  
AS AT 31 DECEMBER 2022

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	€
<b>FIXED ASSETS</b>	
<b>TOTAL FIXED ASSETS</b>	
<b>INVESTMENTS</b>	
<b>CURRENT ASSETS</b>	
<b>TOTAL CURRENT ASSETS</b>	
<b>TOTAL ASSETS</b>	
REPRESENTED BY:	
<b>EQUITY</b>	
<b>TOTAL EQUITY</b>	
<b>LONG-TERM LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
<b>TOTAL CURRENT LIABILITIES</b>	
<b>TOTAL EQUITY &amp; LIABILITIES</b>	





**NAXXAR RETAIL COMPANY LIMITED****INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2022**

	€
<b><u>REVENUE</u></b>	
Sales - Clothing & Accessories	55,400
Sales - Shoes	26,645
<b>TOTAL REVENUE</b>	<b>82,045</b>
<b><u>COST OF SALES</u></b>	
Opening Stock	24,331
Purchases - Foreign	14,420
Purchases - Local	16,551
Closing Stock	- 19,445
<b><u>COST OF GOODS SOLD</u></b>	<b>35,857</b>
<b><u>GROSS PROFIT</u></b>	<b>46,188</b>
<b><u>EXPENSES</u></b>	
Accounting Fees	2,800
Bank Charges	921
Insurance	305
Legal Fees	5,500
Motor Expenses	1,960
Rent	1,560
Salaries and Wages	4,850
Sundry Expenses	806
Water & Electricity expenses	516
<b>TOTAL EXPENSES</b>	<b>19,218</b>
<b><u>NET PROFIT / (LOSS)</u></b>	<b>26,970</b>

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**WORKED  
EXAMPLE**



**NAXXAR RETAIL COMPANY LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	€
<b><u>FIXED ASSETS</u></b>	
Buildings	58,000
Shop Fixtures	3,960
Motor Vans	3,500
<b><u>TOTAL FIXED ASSETS</u></b>	<b>65,460</b>
<b><u>INVESTMENTS</u></b>	
Investments in Shares of Other Companies	15,000
<b><u>CURRENT ASSETS</u></b>	
Stock at End of Year	19,445
Debtors	11,810
Prepayments	1,200
Bank Balances	1,134
<b><u>TOTAL CURRENT ASSETS</u></b>	<b>33,589</b>
<b><u>TOTAL ASSETS</u></b>	<b>114,049</b>
REPRESENTED BY:	
<b><u>EQUITY</u></b>	
Share Capital	20,000
Retained Earnings	35,521
Profit for the Year	26,972
<b><u>TOTAL EQUITY</u></b>	<b>82,493</b>
<b><u>LONG-TERM LIABILITIES</u></b>	
Bank Loans (over 12 months repayments)	26,000
<b><u>CURRENT LIABILITIES</u></b>	
Creditors	3,250
Accruals	2,306
<b><u>TOTAL CURRENT LIABILITIES</u></b>	<b>5,556</b>
<b><u>TOTAL EQUITY &amp; LIABILITIES</u></b>	<b>114,049</b>

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WORKED  
EXAMPLE



# Classification of Cash

- The statement of cash flows presents three classifications of cash flows:
  - Operating activities
  - Investing activities
  - Financing activities



## Cash from Operating Activities

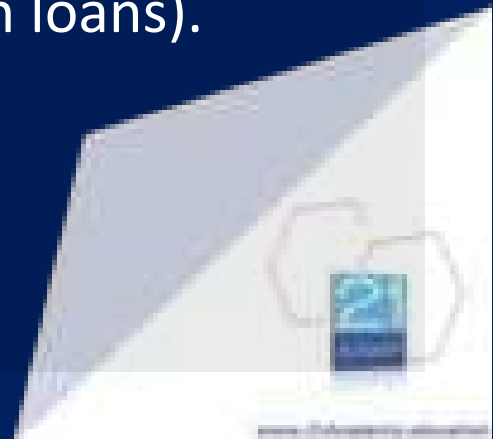
- Net inflow or outflow from trading operations, after tax and cash paid to meeting financing costs.
- Equal to the sum of cash receipts from trade receivables, and cash receipts from cash sales where relevant, less sums paid to buy inventories, rent, wages etc.



## Cash from Investing Activities

Includes:

- Cash payments made to acquire additional non-current assets.
- Cash receipts from disposal of non-current assets.
- Cash receipts from financial investments made outside the business (e.g. interest on loans).



## Cash from Financing Activities

Includes:

- Long-term financing of the business
- e.g. borrowings and finance from share issues
- Repayment or redemption of finance as well as raising finance.



# Cash Flow Statement Format

Cash flows from **OPERATING** activities

**PLUS** or **MINUS**

Cash flows from **INVESTING** activities

**PLUS** or **MINUS**

Cash flows from **FINANCING** activities

**EQUALS**

**NET** increase (or decrease) in **cash equivalents** over the period



# Statement of Cash Flows

**STATEMENTS OF CASH FLOWS**

	2008		2007	
	(\$)	(\$)	(\$)	(\$)
<b>Operating Activities</b>				
Net income	1,100	1,000	900	800
Depreciation	200	200	150	150
Amortization	100	100	100	100
Gain on sale of equipment	(50)	(50)	(50)	(50)
Loss on sale of investments	100	100	100	100
Change in accounts receivable	(200)	(200)	(200)	(200)
Change in accounts payable	150	150	150	150
Change in inventory	(100)	(100)	(100)	(100)
Change in prepaid expenses	(50)	(50)	(50)	(50)
Change in accrued liabilities	100	100	100	100
Change in other assets and liabilities	(50)	(50)	(50)	(50)
Net change in operating activities	1,200	1,200	1,000	900
<b>Investing Activities</b>				
Capital expenditures	(300)	(300)	(300)	(300)
Acquisition of investments	(200)	(200)	(200)	(200)
Proceeds from sale of equipment	100	100	100	100
Proceeds from sale of investments	150	150	150	150
Net change in investing activities	(250)	(250)	(250)	(250)
<b>Financing Activities</b>				
Proceeds from issue of common stock	200	200	200	200
Proceeds from long-term debt	100	100	100	100
Repayment of long-term debt	(150)	(150)	(150)	(150)
Dividends paid	(100)	(100)	(100)	(100)
Net change in financing activities	50	50	50	50
Net change in cash and cash equivalents	1,000	1,000	800	700
Cash and cash equivalents at beginning of year	1,000	1,000	1,000	1,000
Cash and cash equivalents at end of year	2,000	2,000	1,800	1,700







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