Full Set of Financial Statements	
1) Statement of Financial Position (Baland	ce Sheet)
2) Statement of Earnings (Income Statem	ent)
3) Statement of Comprehensive Income	
4)Statement of Cash Flows	
5)Statement of Owner's Equity	
Individual Foreign Transactions	
Direct Method: domestic price of anothe	r currency \$/€
Indirect Method: foreign price of domest	ic currency €/\$
Assets Denominated in Foreian Currency	
Foreign Currency 1 Asset 1	Gain
Foreign Currency Asset	Loss
Lightlities Denominated in Foreign Curren	2033
Engine Currency 1 Liabilities 1	Loss
Foreign currency 1, Liabilities 1	LUSS
Foreign Currency ↓, Liabilities ↓	Gain
Form 10-K Filing Deadlines	
60 days for large accelerated filers	\$700M Market Value
75 days for assolution of filers	
75 days for accelerated filers	\$75-\$700 MV
	+\$100M Revenue
90 days for all others	Less than 100M Rev
Form 10-Q Filing Deadlines	
40 days for large accelerated filers and a	ccelerated filers
45 days for all others	
Stock Issuance	
Stock Issued Above Par	
DR: Cash	Shares * Purchase Price
CR: Common Stock	Shares*Par Value
CR: APIC - C/S	Plug
Stock Issued At Par	
DR: Cash	Shares*Par Value
CR: Common Stock	Shares*Par Value
Stock Issued Below Par	
DR: Cash	Shares * Purchase Price
DR: APIC	Plug
CR: Common Stock	Shares*Par Value
Stock Subscriptions	
Record Subscriptions Receivable	
DR: Subscription Receivable	Shares * Purchase Price
CR: Common Stock Subscribed	Shares*Par Value
CR: APIC - C/S	Plug
Collection of Subscriptions All payment	ts are included
DR: Cash	
CR: Subscription Receivable	
Issuance of Subscriptions Only includer	s fully naid
DB: Common Stock Subscribed	Λ+ Do-
CP. Common Stock Subscribed	At Par
Ch: Common Stock Issued	At Par
Dividend Terms	
Data of Declaration ROD formally anno	was a dividand
DR: Retained Farnings	oves a dividend
THE REPORT OF TH	

Dividend Terms
Date of Declaration - BOD formally approves a dividend
DR: Retained Earnings
CR: Dividend Payable
Date of Record - specifies the time names are determined
Date of Payment - when it is dispersed by the corp

Liquidity and Solvency		
Liquidity =	Current Assets	
	Current Liabilities	
Solvency =	Debt	
	Equity	
Items in Comprehe	nsive Income	
P - Pension Adjustm	ient	
LL - Unrealized G/Ls	on AFS	

U - Unrealized G/Ls on AFS
F - Foreign Currency Items
I - Instrument Specific Credit Risk
Net Income
+ Other Comprehensive Income
Comprehensive Income

Items in Comprehensive Income

Authorized - amt that may be issued Issued - stock that's been issued Outstanding = Issued - Treasury

Book Value Per Common Share

Common Shareholders Equity Common Shares Outstanding Common Shareholder Eauity Assets - Liabilities - Pref Equity - Dividends in arrears Common Shares Outstanding Shares issued - Shares Repurchased

Retained Earnings

Net Income/Loss (Dividends Declared) ± Prior Period Adjustments ± Accounting Changes Retrospective Retained Earnings

Stock Subscription Default

1) issue stock in proportion to amt paid 2) refund the partial payment 3) retain the partial payments with APIC

Retirement of Treasury Stock

Retirement of Treasury (Cost Method)		
DR: Common Stock Shares * P		
DR: APIC - C/S OG Price - Per*Shar		
DR: Retained Earning Plug		
CR: Treasury Stock Repurchase P* Shares		
Retirement of Treasury (Par Method)		
DR: Common Stock		
CR: Treasury Stock	Shares * Par Value	

Use Fair Market Value on all Property (In Kind Dividends)

Scrip Dividends are used when there's a cash shortage, Used Notes Payable

Stock Dividends

mall Stock Dividends (<20-25%) Retained Earnings ↓ by FMV arge Stock Dividends (>20-25%) Retained Earnings ↓ by Par Value

Basic Earnings Per Share (EPS)

Deale FDC	Income Available to Common Shareholders	
Basic EPS =	Weighted Average Number of Common Shares Outstanding	
Income Available to Common Shareholders = Net Income - Preferred Dividends		
Preferred Dividends:	Cumulative	# of Pref Shares * Par Value * Rate
	Noncumulative	Declared
Stock dividends and Splits are Retroactively Adjusted		
Shares sold/reacquired are based on a time-weighted basis		

Diluted Earnings Per Share (EPS)

Diluted EDC -	Income Available + Interest on Dilutive Securities		
Diluteu EPS =	WAOCS (with all securities converted to common stock)		
Treasury Stock Method - for Options and Warrants Average Price > Strik		erage Price > Strike Price	
Additional Channel	# of Shares -	# of Shares *	Exercise Price
Additional Shares =		Average Market Price	
If Converted Method - for Convertible Bonds		Sequence from:	
1) add interest expense (net of tax) to the numerator		Most Dilutive	
2) add # of common stock associated to the denominator		Ļ	
3) if issued, assume stock is issued for WACSO		Least Dilutive	
If Converted Method - fo	r Convertible Preferred	d Stock	
1) adjust numerator; add back pref dividend		Options and Warrants are first	
2) add # of common stock associated to the denominator		are first	

Preferred Stock - Equity with Options		
Cumulative	pref dividends not paid accumulates (as dividends in Arrears)	
Non Cumulative	Dividends not paid do not accumulate	
Participating	share with common shareholders in excess of a specific amount	
Fully Particpating	participates in excess dividends without limit	
Partially Particpating	g participates in excess dividends to a percentage limit	
Non-Participating	Pref Shareholders are limited to. dividend provided by preference	
Preference Upon Liquidation must be disclosed if larger than par		
Convertible	May be exchanged by stockholders at a specified amount	
Callable/Redeemable	May be called (repurchased) at a price by the issuing corporation	

Treasury Stock - Cost Method (used 95% of the time)

Treasury shares are recorded and carried at their reacquisition cost Gains/Loss is determined when it is reissued/retired | G/L = Reissue Price - Repurchase Cost Losses: Paid-in Capital Treasury Stock \downarrow ; Excess Retained Earning \downarrow Gains: Paid-in Capital Treasury Stock 1 Buy back Above Issue Price **Original Issue** Shares * Purchase Price DR: Treasury Stock DR: Cash Shares *Repurchase CR: Common Stock Shares*Par Value CR: Cash Price

CR: APIC - C/S	Plug	Reissuing Below Cost	
Reissuing Above Cost		DR: Cash	Shares * Purchase Price
DR: Cash	Shares * Resale Price	DR: APIC - T/S	Shares*Par Value
CR: Treasury Stock	Total Repurchase Price	DR: Retained Earnings	Plug
CR: APIC - T/S	Plug	CR: Treasury Stock	Plug

Treasury Stock - Par/Stated Value Method (used 5% of the time)					
Calculate Gains and Losses immediately upon repurchase					
1) Calculate Gains/Loss = Original Selling Price - Repurchase Price					
2) Reverse Original ent	2) Reverse Original entry for Shares Repurchased; Debit Treasury Stock at Par				
3) Credit Cash Paid	3) Credit Cash Paid				
Original Issue		Buy back Above Issue	Price LOSS		
DR: Cash	Shares * Purchase Price	DR: Treasury Stock	Shares * Par Value		
CR: Common Stock	Shares*Par Value	DR: APIC - C/S	Plug		
CR: APIC - C/S	Plug	DR: Retained Earnings	OG Selling P - Repurch		
Buy back Below Issue	Price GAIN	CR: Cash	Repurchase		
DR: Treasury Stock	Shares * Par Value	Reissue Shares			
DR: APIC - C/S	Plug	DR: Cash	Resale Price * Shares		
CR: APIC - T/S	OG Selling P - Repurch	CR: Treasury Stock	Shares * Par Value		
CR: Cash	Repurchase	CR: APIC - C/S	Plug		

ALL-CPA-CMA

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1) Identify the contract with the	customer
2) Separate Performance Obliga	tions
3) Transaction Price Determinat	ion
4) Allocate the Transaction Price	to each PO
5) Recognize Revenue	
Recognizing Revenue Timing	
Satisfied Over Time if any of the	following is met:
1) creates or enhances an asset	that the customer controls
2) customer simultaneously rece	eives and consumes the benefit
3) Does not create an asset with	alternative use
Output Method - based on the v	value to customers
Input Method - based on the en	tity's efforts to the satisfaction of PO
Satisfied at a Point in Time: rec	ognize when customer obtains control
a) customer has accepted the as	set
b) entity has right to payment a	nd customer has obligation to pay
c) transferred physical possessio	n of the asset
d) customer has legal title to the	e asset
e) customer has significant rewa	ards and risks

Five Step Approach for Revenue Recognition (I am a STAR)

Fair Value

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Fair Value -the price that would be received to sell an asset or transfer a liab		
market based approach	Does not Include transaction price	
Non Financial Assets are measure	d using the Highest and Best Use	
Principal Market - market with the greatest volume or activity level		
• price in that market is the FV measurement, even if there's MVP		
Most Advantageous Market -		
best price for the asset/liab after considering transaction costs		
• transaction costs are ignored in FV after the market is determined		
Liquidity Ratios		

ability to meet short	Current Patio	Current Assets	
term obligations	Current Ratio	Current Liabilities	
Quick Datio	Cash + ST MS + AR (Net)		
QUICK RALIO	Current Liabilities		
success of collecting		Sales (net)	
outstanding A/Rs	A/R lurnover	Average A/R (net)	
average # of days to		Ending A/R	
collect A/R	Days Sales III A/K	Sales (net) / 365	
How quickly inventory		COGS	
is sold. Higher is better	Inventory Turnover	Average Inventory	
average # of days to		Ending Inventory	
sell inventory	Days in inventory	COGS / 365	
# of times trade		COGS	
during a period	A/P furnover	Average A/P	
average # of days to	Days in Payable	Ending A/R	
collect A/R	Outstandings	Sales (net) / 365	
Cash Conversion Cycle	Days Sales in A/R+ Day Payable Ou	s in Inventory - Days in tstandings	

Summary of Significant Accounting Policies	
- description of all significant policies included in F/S	
First Footnote: general description	
Second Footnote: significant accounting policies	
Disclosure includes	
a) measurment based used in prepping the F/S	
b) specific accounting prinicpals and methods	
Disclosure of Rights and Uncertainty	
- requires the disclosure of risk/uncertainty that can be relevant	
footnote describes	
a) risk and uncertainties around major operations	
b) relative importance of each busniess	
c) use of accounting estimates in prep the F/S	
concentration should be disclosed if all	

a) consentration exists at F/S date

b) consentration makes entity vulenerable to near term impact

c) at least reasonably possible that the event will happen

Cash to Accrual Detailed View		
Revenue	Purchases to COGS	Operating Expenses
Cash Basis Revenue	Cash paid for purchase	Cash paid for OpEx
+ Ending A/R	+ Ending A/P	+ Ending accrued liab
- Beginning A/R	- Beginning A/P	- Begin accrued liab
- Ending unearned rev	- Ending Inventory	- Ending prepaid exp
+ Begin unearned rev	+ Begin Inventory	+ Begin prepaid exp
Accrual Basis Revenue	COGS	Accrual OpEx

Criteria for Identifying Contracts

 all parties approved the contact
 rights of each party are identified
 payment terms are identified
 contract has commercial substance
 probable collection of consideration
Criteria isn't met but consideration is paid:
Recognize Rev if the consideration is nonrefundable and no more POs

Contract Modification is a new contract IF: a) The Scope Increase b) the Price increases

District DOs must be

bistilet i os indst bei
1. are separately identifiable
2. customer can benefit independently
A transfer is separately identifiable if:
a) does not integrate with others
b) does not customize or modify
c) does not depend on or relate to others
Not Separately Identifiable POs
 are highly interrelated or interdependent
 provides a sig service of integrating

FV Valuation Techniques MIC

Market Approach- use price from market transaction involving comparable

Income Approach- Discounted Cash Flow Model

Cost Approach- Current Replace Cost

Hierarchy of Fair Value Inputs

evel 1 - Observable, Active, and Identical
evel 2 - Observable, Quoted
evel 3 - Unobservable and assumption based

Solvency Ratio	
Dobt to Faulty -	Total Liabilities
Dept-to-Equity =	Total Equity
Total Daht Datia -	Total Liabilities
Total Debt Ratio =	Total Assets
Coulty Multiplies -	Total Assets
Equity Multiplier =	Total Equity
Times Interest Earned =	EBIT
	Interest Expense

Beginning + End Average

Remaining Notes to the F/S

contains all other info relevant
xamples of Notes
material info regarding assets/liab
nature of change in SE
require marketable securities
FV estimates
contingency G/L
Pension Plan Description
segment disclosure
change in accounting principals

OCBOA Guidelines

Other Comprehensive Basis of Accounting
1) different titles for F/S
2) required equivalent of B/S and I/S
3) F/S should explain changes in equity
4) statement of CFs is not required
5) disclosures should be similar to GAAP

Cash to Accrual Basis

1) Add increases in current assets
2) Subtract decreases in current assets
3) Add decreases in current liabilities

4) Subtract increases in current liabilities

F2: Financial Reporting/Disclosure

Change in Accounting E	stimates (prospective)	1	
1) It is no	t an error	Prospective Approach	
2) do not Rest	ate prior Years	 use new information i 	n current/future years
3) Follow Prospe	ective Approach	no effect on prior Reta	ained Earnings
	Includes to LIFU	and Depreciation Method	1
Change in Assounting D	rineinle (retreenestive)		
Change in Accounting P	rinciple (retrospective)	a accortable accounting	mathed to enather one
Pulo of Proforability	nncipie - change from on	e acceptable accounting	method to another one
Rule of Preferability - Ca	adjust boginning rotain	and earnings, not of tax	
Noncomparative E/S	- aujust beginning retain	Comparative E/S	
1) use new method in ve	ear presented	1) Use new method in a	ll vears
2) find earnings if metho	ad was always used	2) calculate the cumulat	tive effect
3) adjust beginning R/Fs	net of tax	3) present effect net of	tax to beginning R/Fs
General Rule	Exemptions: Changes to	LIFO Change to Depre	ciation Method
adjust retained earnin	gs for the cumulative effe	ect net of tax at the begin	nning or earliest period
 use the new accounting 	g principle for all period	s presented	5
Change in Accounting E	ntity (retrospective)		
Restate all previous E/Ss	presented in comparativ	e E/S along with the	Full Disclosure to be made
current year to reflect th	ne information for the ne	w reporting entity	with changes in income
Error Correction (Prior F	Period Adjustment)		
Corrections of errors in	n recognition measurom	ent presentation or disc	losure resulting from
mathematical mistakes.	misapplication of US GA	AP, or oversight of facts	iosure resulting from
 Changes from a non-0 	GAAP to GAAP method of	accounting	
Comparative Financial S	statements Presented:	~	
financial statements for	the year with the error a	re presented	
correct the error in thos	e prior financial stateme	nts	
financial statements for	the year with the error of	re NOT presented	
adjust (net of tax) the or	pening retaining earning	of the earliest period pr	recented
No Comparativo Financ	ial Statements Presente		esenteu
no comparative rinance		a 	and of how
reporteu as an aujustine	ent to the opening balance	e of retained earnings (r	
Duefitability Daties			
Profitability Ratios	Seles (Net) COCS		Not Income
Profitability Ratios Gross Profit Margin	Sales (Net) - COGS	Profit Margin	Net Income
Profitability Ratios Gross Profit Margin	Sales (Net) - COGS Sales (Net)	· Profit Margin	Net Income Sales (Net)
Profitability Ratios Gross Profit Margin Return On Sales	Sales (Net) - COGS Sales (Net) Net Income	Profit Margin Return On Equity	Net Income Sales (Net) Net Income
Profitability Ratios Gross Profit Margin Return On Sales	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets	Profit Margin Return On Equity Sales (net)	Net Income Sales (Net) Net Income Average Total Equity
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) × Aver	Profit Margin Return On Equity Sales (net) age total assets	Net Income Sales (Net) Net Income Average Total Equity Profit Margin & Asset Turnover
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) CEs from Comparison	Profit Margin Return On Equity Sales (net) age total assets	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) x CFs from Operations	Profit Margin Return On Equity Sales (net) age total assets	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) CEs from Operations Current Liabilities	Profit Margin Return On Equity Sales (net) age total assets	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) × Aver CFs from Operations Current Liabilities	Profit Margin Return On Equity Sales (net) age total assets	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) × Aver CFs from Operations Current Liabilities	Profit Margin Return On Equity Sales (net) age total assets	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) × Aver CFs from Operations Current Liabilities	Profit Margin Return On Equity Sales (net) age total assets	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) × Aver CFs from Operations Current Liabilities Sales - COGS	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Profit Morgin x Asset Turnover
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net Income Sales (net) Average Total Assets Current Liabilities Current Liabilities Sales - COGS - Operating Expense	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Profit Margin x Asset Turnover Net Income + Income Tax/ Interest Expense +D/A Expenses
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA Price to Earnings Ratio	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets <u>Net income</u> CFs from Operations Current Liabilities Sales - COGS - Operating Expense Price Per Share	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Profit Margin x Asset Turnover Profit Margin x Asset Turnover Profit Margin x Asset Turnover Profit Margin x Asset Turnover Cash Dividends
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA Price to Earnings Ratio	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) × Aver CFs from Operations Current Liabilities Sales - COGS - Operating Expense Price Per Share Basic EPS	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA Dividend Payout	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Net Income + Income Cash Dividends Net Income Net Income
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA Price to Earnings Ratio Asset Turnover	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) × Aver CFs from Operations Current Liabilities Sales - COGS - Operating Expense Price Per Share Basic EPS Sales (net)	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA Dividend Payout	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Profit Margin x Asset Turnover Net Income + Income Tax/ Interest Expense +D/A Expenses Cash Dividends Net Income
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA Price to Earnings Ratio Asset Turnover	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Carbon Operations Current Liabilities Current Liabilities Cales - COGS - Operating Expense Price Per Share Basic EPS Sales (net) Average Total Assets	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA Dividend Payout	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Profit Margin x Asset Turnover Profit Margin x Asset Turnover Profit Margin x Asset Turnover Profit Margin x Asset Turnover Cash Dividends Net Income
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA Price to Earnings Ratio Asset Turnover	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income CFs from Operations Current Liabilities Sales - COGS - Operating Expense Price Per Share Basic EPS Sales (net) Average Total Assets	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA Dividend Payout	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Profit Margin x Asset Turnover Net Income + Income Tax/ Interest Expense +D/A Expenses Cash Dividends Net Income
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA Price to Earnings Ratio Asset Turnover Cash Basis of Accountin	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) × Aver CFs from Operations Current Liabilities Sales - COGS - Operating Expense Price Per Share Basic EPS Sales (net) Average Total Assets g	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA Dividend Payout	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Net Income + Income Tax/ Interest Expense +D/A Expenses Cash Dividends Net Income
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA Price to Earnings Ratio Asset Turnover Cash Basis of Accountin Revenue = When Cash is	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) × Aver CFs from Operations Current Liabilities Sales - COGS - Operating Expense Price Per Share Basic EPS Sales (net) Average Total Assets g	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA Dividend Payout Expense = when cash is	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Net Income + Income Tax/ Interest Expense +D/A Expenses Cash Dividends Net Income paid
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA Price to Earnings Ratio Asset Turnover Cash Basis of Accountin Revenue = When Cash is Cash Basis Financial Stat	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income CEs from Operations Current Liabilities Current Liabilities CoGS - Operating Expense Price Per Share Basic EPS Sales (net) Average Total Assets g creceived tements	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA Dividend Payout Expense = when cash is 2) Statement of Cash Re	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Profit Margin x Asset Turnover Net Income + Income Tax/ Interest Expense +D/A Expenses Cash Dividends Net Income paid cceipts + Disbursements
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA Price to Earnings Ratio Asset Turnover Cash Basis of Accountin Revenue = When Cash la Cash Basis Financial Stat 1) Statement of Cash an	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income CFs from Operations Current Liabilities Current Liabilities - COGS - Operating Expense Price Per Share Basic EPS Sales (net) Average Total Assets g creceived tements d Equity	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA Dividend Payout Expense = when cash is 2) Statement of Cash Re Receipts (rev received)	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Net Income + Income Tax/ Interest Expense +D/A Expenses Cash Dividends Net Income paid cceipts + Disbursements Disbursements (expense paid)
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA Price to Earnings Ratio Asset Turnover Cash Basis of Accountin Revenue = When Cash is Statement of Cash an - cash is only asset; c	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) × Aver CFs from Operations Current Liabilities Current Liabilities CoGS - Operating Expense Price Per Share Basic EPS Sales (net) Average Total Assets g received tements d faulty ash = equity	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA Dividend Payout Expense = when cash is 2) Statement of Cash Re Receipts (rev received) + Debt Proceeds	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Net Income + Income Tax/ Interest Expense + D/A Expenses Cash Dividends Net Income paid cacepts + Disbursements Disbursements (expense paid) -debt/dividend repayment
Profitability Ratios Gross Profit Margin Return On Sales Dupont Return on Asset Operating Cash Flow Ratio Performance Metrics Top Down EBITDA Price to Earnings Ratio Asset Turnover Cash Basis Financial Stat Revenue = When Cash is Cash Basis Financial Stat J Statement of Cash an - cash is only asset; - no liabilities are rec	Sales (Net) - COGS Sales (Net) Net Income Average Total Assets Net income Sales (net) × Aver CFs from Operations Current Liabilities Sales - COGS - OGPATING Expense Price Per Share Basic EPS Sales (net) Average Total Assets g g g g g g ab = equity corded	Profit Margin Return On Equity Sales (net) age total assets Bottom Up EBITDA Dividend Payout D	Net Income Sales (Net) Net Income Average Total Equity Profit Margin x Asset Turnover Net Income + Income Tax/ Interest Expense +D/A Expenses Cash Dividends Net Income paid ceipts + Disbursements Disbursements (expense paid) - debt/dividend repayment - asset purchase payment
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- Balance Sheet (Income Tax Basis)
- Statement of revs, exps, & R/E (Income Tax Basis)
- Statement of income (income tax basis)

Subsequent Event - event that happens after B/S date but before available for issued ype 1 (recognized): provides additional information about condition that existed at B/S date Type 2 (not recognized): conditions that did not exist at balance sheet date Public Firms \rightarrow evaluate events until F/S are <u>issued</u> (when widely distributed to users) **Private Firms** \rightarrow evaluate events until F/S are <u>available</u> (after prepared and finalized)

+ Deposit In Transit - funds ser	nt to th	ne bank and n	iot recorde	d
- Outstanding Checks - checks	writte	en that have r	not been pr	esented
Book Reconciliation in BINS + Bank Collection - collection without the knowledge of depositors				
				+ Interest Expense - already added by the bank
- Non-Sufficient Funds - charg	e for d	lishonored ch	ecks	
- Service Charges - deducted b	y the I	bank aiready		
Accounts Receivable T-Accour	nt			
Beginning Balance		- Cash Collec	ted	
+ Credit Sales - Write Offs				
		- Conversion	to a Note	
Ending Balance				
Sales Discount				
2/10		Pay 98% in 1	0 days	
n/30		Pay 100% in	30 days	
Gross Method - ignore upfron	t disco	unt on the sa	ile	
The journal entries at the date of sale:	discol	unt is offered	on the sale	•
The journal entries at the date of succ.		Gross	N	et
DR Accounts receivable	\$100,	000	\$98,000	400.000
The journal entries if promote is seen	und with	\$100,000	eriod:	\$98,000
DR Cash	\$98.	DOD	\$98,000	
DR Sales discounts taken	2,1	000 \$100.000		100 000
The journal entries if novment is not p	eceived	s100,000	nt period	\$30,000
DR Cash	\$100,0	000	\$100,000	
CR Accounts receivable		\$100,000		\$98,000
not taken				2,000
Without Recourse - True sale, DR: Cash \rightarrow What they pay now DR: Due from Factor \rightarrow What DR: Loss on sale of A/R \rightarrow Loss	all risk w they p s incur	is on the col ay later red	lector	
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Accumulated Depreciation T-Account		
- Disposals	Beginning Balance	
- Write offs + Current year depreciation exp		
	Ending Balance	

Start-up costs are expensed as incurred

Cash Equivalents				
 short-term, highly liquid investments 				
1) readily convertible to cash				
2) original maturity of less than 90 days				
Inventory Basics				
Inventory has legal title or physical possession normal				
FOB Destination - title passes when received by buyer				
FOB Shipping Point - when given to common carrier				
Consigned Goods - remains in sellers inventory til sale				
Non-Conforming Goods - reverts to seller				
Sales with Buyback - reverts to seller				
Installment Sales				
if debts cannot be estimated → include in sellers				
if debts cat be estimated \rightarrow include in buyers				
Inventory Valuation Method Basics				
Specific Identification - unique goods				

FIO - sell old, ending inventory is new Weighted Average - periodic system Moving Average - perpetual system LIFO - sell new, ending inventory is old Dollar Value LIFO - need a price index

Specific identification Me	thod		
-cost of each item is unique to each item			
-used for large or high value items			
FIFO (First in First Out)			
ending inventory and COGS are the same			
Weighted Average Metho	d (<u>Periodic)</u>		
-used for homogeneous products			
Weighted Average Cost	Total Inventory Costs Ava		
per Unit	Total # of units available		
Moving Average Method	(Perpetual)		
-computes weighted avera	age after each purchase		
Moving Average Cost per	Total Inventory Costs		
Unit	Total # of units		
LIFO (Last in First out)			
ending inventory and COG	S are different		
In Rising Prices with LIFO	→ lowest ending inventor		
	→ highest COGS		
→ lowest net income			
Capitalizing Interest			
Rule 1: Only capitalize interest on money actually spent, NOT on total amount borrowed			
Rule 2: amount of capitalized interest is lower of:			
a) actual interest cost incurred			
b) computed capitalized interest			
Required Conditions for c	ap of interest		
a) expenditures for the asset have been made			

b) computed capitalized interest lequired Conditions for cap of interest a) expenditures for the asset have been made b) activities need to get asset ready are IP c) interest cost is incurred locationary Delay - will not impact cap period ntentional Delay - will cause period to stop

Depletion

Impairment

Cost Depletion \rightarrow allowed by GAAP

if positive → No Impairment Loss

held for Us

2) Depreciate new cost

3) Restoration is not premitted

1) write asset down

Disposal of Assets

Sale of an Asset for a Gain DR: Cash received from sale DR: A/D CR: Gain on Sale CR: Asset @ cost Sale of an Asset for a Loss DR: Cash received from sale DR: A/D DR: Loss on Sale CR: Asset @ cost

Intangible Assets

patents are amortized over shorter: a) estimated useful life b) remaining legal life

Cloud Computing Arrangements
Phase 1: Preliminary Project - determining system
requirements for software expensed when incurred

Phase 2: Application Development - work performed to customize or change configurations *Capitalize* → implementation costs *Expense* → training, maintenance, support

Phase 3: Post Implementation - once software is placed in service expensed when incurred

Franchisee Accounting initial costs → capitalize and amortize over life

ongoing costs → expensed as incurred

	Valuation of Inventory						
Lower of Cost and Net Realizable Value		Lower of Cost and Market					
Used for FIFO or Weighted Average		Used for LIFO or retail inventory method					
1) Calculate the NRV = Selling Price - Cost to Sell		Find Market Middle Value					
2) Cost of Inventory = Lower of Cost or NRV		1) Market Ceiling = NRV	1) Market Ceiling = NRV				
		2) Market Floor = NRV -	Normal Profit				
Substantial and unusual losses from subsequent measurement of inventory should be disclosed in the F/S		3) Replacement Cost = Cost to purchase the item					
		4) Lower of Cost or Midd	lle Market Value				
		4) Lower of Cost of Wildle Warket Value					
Periodic Inventory System	- Physical count of endir	ng inventory is required					
-debit purchases NOT inventory		Beginning Inventory	If Ending Inv is Overstated				
-quantity of inventory is d	etermined by a count	+ Purchases	-COGS is understated				
Selling Inventory	Buving Inventory	= COG Available for Sale	-Profits are overstated				
DR: Cash or A/R	DR: Purchases	- Ending Inventory	-R/E are overstated				
CR: Sales	CR: Cash or A/P	= COGS	-Equity is overstated				
Perpetual Inventory Syste	m - Record for each item	is updated after the sale	occurs				
Buying Inventory	Selling Inventory						
DR: Inventory	DR: Cash or A/R	DR: Cost of Goods Sold	Modified Perpetual System				
CR: Cash or A/P	CR: Sales	CR: Inventory	the cost only				
	L						
PP&E Cost							
Land includes all cost incu	rred up until excavation	Plant Cost include					
- Purchase Price		- Purchase Price					
- Broker's Commissions		- Deferred Maintenance					
- Title, Recording, and Leg	al Fees	- Architects Fees					
- Draining of swamps and	clearing trees	- Digging a hole for foundation					
- Site Development		- construction period interest					
- Existing obligations (Mortgage/back taxes)							
- Cost of removing buildings		Equipment costs include all expenditures related to					
(Subtract) proceeds from	existing resources	acquisitions or construction					
PP&E Equipment Capitalia	zation (AIR must be capita	lized)					
Addition - increases the qu	uantity of fixed assets						
Improvement - improve th	ne quality of fixed assets						
Replacement - subs of new	w, similar asset for an old	one	Improvement - Improve the quality of fixed assets Replacement - subs of new similar asset for an old one				
if old asset's CV is know \rightarrow write off old asset and record new asset							
if old asset's CV is know	→ write off old asset and	record new asset					
if old asset's CV is know if old asset's CV is NOT k	→ write off old asset and now → debit A/D for the	record new asset cost of the new asset and	credit cash				
if old asset's CV is know if old asset's CV is NOT k	\rightarrow write off old asset and <i>now</i> \rightarrow debit A/D for the	record new asset cost of the new asset and	credit cash				
if old asset's CV is know if old asset's CV is NOT k Basic Depreciation Metho	→ write off old asset and <i>know</i> → debit A/D for the uds	record new asset cost of the new asset and	credit cash				
if old asset's CV is know if old asset's CV is NOT k Basic Depreciation Metho Straight-Line Depreciation	→ write off old asset and <i>know</i> → debit A/D for the ds	record new asset cost of the new asset and	credit cash				
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Percentage Depletion \rightarrow NOT allowed by GAAP

if negative \rightarrow Impairment Loss and Step 2

1) write asset down

2) No depreciation taken

3) Restoration is premitted

sets held for Disposal include cost of disposal

1) Depletion Base = Total Cost (Cost of Land + Development Costs + Restoration) - Redisual Value

Step 1: Test for Recoverability = Undiscounted Future Net Cash Flows - Net Carrying Value

Step 2: Calculation of Impairment = Discounted Future Net Cash Flows - Net Carrying Value

2) Unit Depletion Rate = Depletion Base / Estimated Recoverable Units

3) Yearly Depletion = Unit Depletion x units extracted

4) Yearly Depletion in COGS = Unit Depletion x units sold

FAR Cheat Sheet

ed Vacation are recorded in the year earned if meets all of: S - Services have already been rendered by employees O - Obligation related to rights that accumula C - Payment of Compensation is probable If only the first 3, disclose in the notes R - The amount can be reasonably Exit or Disposal Activities a liability must be recognized for costs associated with an exit Costs associated with exit/disposal activities include Involuntary employee termination benefits (severance) Breach of Contracts consolidating facilities relocating employees moving PPE

Criteria for Liability Recognition (All Must)

Employee Related Liabilities

roll Taxes → Expense for Employer

yroll Deductions → Not an expense for Employer

a) obligating event has occured b) event result in present obligation to transfer assets in the future c) obligating event has occured Exit Disclosures should be made during a) the period the exit was initaited b) all subsequent periods until activity is complete nclude in the Disclosure: 1) description of exit/disposal activity

2) each major cost both the amount and reconcile liability balances

Bonds Issued Between Interest Dates regardless of period, issuer pays a 6 month payment on date accrued interest = Coupon x (months since payment/6) accrued interest is added to the price of the bo

Troubled Debt Restructuring

Transfer of Assets - have FV of assets less than CV of liabilities DR: Accounts Payable → book value DR: A/D CR: PPE → Book Value CR: Gain on PPE → FV of Assets - BV of Assets CR: Gain on extinguishment of debt \rightarrow CV of A/P - FV of Assets Transfer of Equity Interest - FMV of stock is less than CV of liabilities difference between A/P and FMV of equity is a gain Both Transfer of Assets and Equity Interest extinguish debt Modification of Terms: restrictions in rate/time; does not exist debt

Loan Impairment

Loan is impaired if it's probable that creditors will be unable to collect

Lease Criteria

1) contract must depend on an identifiable asset in which the lessor does not have a substantive substitution right

2) contract must convey the right to control the use of the asset of the lease term

Finance Lease Criteria

- Ownership of asset transfers to lessee by end of term
- N Lessee has written option to buy asset with reasonably certain
- N NPV of all lease payments + residual value exceeds 90% of FV
- term of lease represents 75% of the economic life remaining S - asset is specialized so there is not expected alternative use

Lease Payment includes:

- Required contractual fixed payments - Exercise option is reasonably assured
- Purchase price at end of lease
- Only indexed or rate variable payments
- Residual guarantees likely to be owned
- Termination penalties reasonably assured Lease Payments may or may not include
- Non-lease components
- Lease Payments may not include
- guarantees of lessor debt by lessee
- O Other variable lease payments

Trade Accounts Payable

used for inventory or raw materials Gross Method - wait to record discount until it's actually taken

Net Method Method - record net of discount

Trade Notes Payable

Notes, debts, bonds, and debenture ALL interest bearing with written promises Sales Taxes Payable - company will have a payable and no expense

Gain Contingencies

ecord no journal entries for GC until certain If Remote \rightarrow Do not disclose in the notes If Not Remote → Only Disclose in the notes

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Loss Contingencies

e → Accrue and record JEs Range is the highest prob of occurring If all the same, use lowest asonably Possible → Only Disclose emote → DO NOT Disclose or Accrue Disclosures for DOG guaranteed remote: D : Debt of Others Guaranteed O: Obligations of commercial banks G : Guarantees of repurchase A/R sold

Annuity

Annuity Due → Beginning of each period Ordinary Annuity → End of each period

Troubled Debt Restructuring Basics

-Creditor allows concessions to improve likelihood of collection with goal of max recovery of assets 1) Transfer of Assets 2) Transfer of Equity Interest 3) Modification of Terms 4) Combination of the three

Carrying Value of Debt

Face Value of Debt
+ unamortized premium
- unamortized discount
- issue costs
Carrying Value of Debt

Lease Commencement Date

Date at which the underlying asset is ready for use Lease Options to extend → only if reasonably certain to terminate → only if reasonably certain

if control of lessor → up to the lessor



Asset Retirement Obligations (AROs) - used in cases with known closure costs or removal costs al Measurement is Recorded @ Fair Value of Amount paid in the futu DR: Asset Retirement Cost (Asset) → Amt capitalized that increases the carrying amount of the asset CR: Asset Retirement Obligation (Liabilitiy) \rightarrow associated with retirement of long-lived asset Subsequent Measurement Undiscounted Future Payments = both total expenses eciation Expense - decreases the ARC asset reported on the B/S; should be zero at end of accretion Annual Depreciation Asset Retirement Cost DR: Depreciation Expense Expense = CR: Accumulated Depreciation Useful Life of Asset ccretion Expense - increases the ARO liability due to the passage of time using the appropriate rate DR: Accretion Expense \rightarrow beginning value of ARO * Discount Rate CR: Asset Retirement Obligation (Liabilitiy) Premiums - offers to customers for the purpose of stimulating sales Step 1) Total Estimated Coupon Redemption = Coupons x Redemption Rate Step 2) Coupons to be Redeemed = Total Coupon Redemptions - Coupons redeemed Step 3) Outstanding Premium Claims = Coupons to be redeemed / amount per premium Step 4) Estimated Liability for Premium Claims = Outstanding Premium Claims x Pre-premium cost DR: Premium Expense CR: Premium Liability Notes Payable - contractual rights to pay money at a fixed rate Fross Notes Payable = Payment x number of payments PV of Notes Step 1: Interest Expense = Beginning Carrying Value x effective market rate Step 2: Principle Reduction of Note = Periodic Payment - Interest Expense Discount Bonds ure: document describing bonds Discounts → Losses Premiums → Gains Sells lower than face value Sells more than face value Market Rate > Coupon Rate Market Rate < Cou Interest Expense > Coupon Paid Interest Expense < Coupon Paid Coupon Payment = Face Value x Coupon Rate Interest Expense = Begin CV x Market Rate Bond Issuance Selling Price = Face Value || Coupon Rate = Market Rate Issued @ Par Price = PV of future principal payment + PV of future periodic interest payments use Market Rate for PV sued @ Par for Borrow sued @ Par for In DR: Cash Risk Raises, D/E DR: Investments in Bonds CR: Bonds Payable CR: Cash No Change in total asset Issued @ Discount Selling Price < Face Value || Coupon Rate < Market Rate sued @ Discount for Borr treated as a LO DR: Cash → @ PV of Principal with market rate Issued @ Discount for In DR: Discount on B/P $\rightarrow @$ discount DR: Investment in Bonds → @ PV with market rate CR: Cash CR: Bond Payable → @ Face Value Selling Price > Face Value || Coupon Rate > Market Rate ssued @ Premium ssued @ Premium for Borrower treated as a GAIN DR: Cash → @ Selling Price with Market Rate Issued @ Premium for Inves CR: Premium on B/P → @ Premium as gain DR: Investment in Bonds → @ PV with market rate CR: Bond Payable \rightarrow @ Face Value CR: Cash Bond Amortization Income Statement → Net Carrying Value x Effective Interest Rate = Interest Expens Balance Sheet → Bond Face x Coupon Rate = Interest Paym Premium: Interest Expense < Coupon Paid /// Discount: Interest Expense > Coupon Paid

Operating Leases → No OWNES				
-results in a ROU asset and lease liability				
Initial Entry in Leases	Subsequent Entries			
DR: ROU Asset	DR: Lease Expense \rightarrow one expense on the I/S, same each period			
CR: Lease liability	CR: Cash/Lease Liability			
	DR: Lease Liability \rightarrow reducing liability by effective interest rate			
	CR: Accumulated amortization - ROU Asset			
Finance Leases → OWNES				
-liability will equal PV o	f lease payments including commision, legal, consulting			
Initial Entry in Leases	Subsequent Entries			
DR: ROU Asset	DR: Interest Expense			
CR: Lease liability	DR: Lease Liability			
	CR: Cash/Lease Payable			
	DR: Amortization Expense			
	CR: Accumulated amortization - ROU Asset			

FAR Cheat Sheet

Reclassification	n of Debt Categori	ies	Investment Basics	
From	To	Unrealized Holding Gain/Loss	Debt	
Trading	Any Other	no adjustment needed	Trading Security → FV through income statement	
Any Other	Trading	recognized in current earnings	Available-for-Sale → FV through OCI	
нтм	AFS	record in OCI	Held-to-Maturity → amortize costs	
AFS	HTS	amortize g/l from OCI with dis/prem	Common Equity	
			Owns <20% → acts as trading security	
Impairment of	f Debt Categories		Owns 20%-50% → equity method	
Expe	ected Credit Loss =	PV of Future CFs - Amortized Cost	Owns 50%+ → consolidation	
- unrealized g/	l use a valuation a	ccount		
- expected crea	dit loss use allowar	nce for credit losses	Partnership Admission	
Trading Secu	urity → not applic	able	Exact Method → Purchase price = book value	
Available-fo	<i>r-Sale</i> → ECL recg	onized on I/S, excess loss to OCI	Bonus Method → Purchase price < book value	
Held-to-Maturity → ECL recognized on I/S, write down asset			Goodwill Method → Purchase price > book value	
Unrealized Gai	ins			
DR: Valuation A	Account (FV adjust	ment)	Exact Method → Purchase price = book value	
CR: Unrealiz	zed gain on secuity		- there is no goodwill/bonus	
Expected Cred	it Loss		- old capital account dollars stay the same	
DR: Credit Loss	5			
CR: Allowan	ce for credit losse	5	Bonus Method → Purchase price < book value	
			1) determine total capital + interest to new partner	
Consolidation	→ owns 50% or I	nas control	 if interest < contribute → bonus to old 	
Key 1) 100% of	f net assets are rec	orded @ fair value	DR: Cash	
Key 2) subs ent	tire equity is elimir	nated	CR: Old Partner Cap 1	
Key 3) parent's	s basis is the acquis	sition price	CR: Old Partner Cap 2	
fair value =	acquisition price =	investment in subsidary	CR: New Partner Cap	
Consolidation	Adjustments		3) if interest > contribute → bonus to new	
C - Common St	tock are eliminated		DR: Cash	
A - APIC are eli	iminated		DR: Old Partner Cap 1	
R - Retained Ea	arnings are elimina	ited	DR: Old Partner Cap 2	
I - Investment	in sub is eliminate	a	CR: New Partner Cap	
N - Non Contro	oning interest is cri	eated	Conduill Mathed at Durchase price & headwarks	
B - Balance She	let of sub is adjust	sorded at EV	compute new "new assets before GW!"	
G Goodwill is	required as a plus	Coin if not there	Conducting implied valuation BV of can accounts	
Goodwinns	required as a pide	g dain in not there	- GW is allocated on old capital structures	
Statement of C	Cash Flows			
Onerating CFs	- from current ass	ets and non interest bearing obligations		
Investing CEs -	CEs non-current a	ssets	agreement split. Split evenly if there is no agreement	
Financina CFs -	- CFs from debt an	d equity	-8	
Indirect Metho	od		Withdrawal of a Partner	
Net Income			Bonus - honus is allocated among remaining canital	
+ Noncash Exp	enses/Losses → d	epreciation, bad debt, discount amort	accounts based on P/L ratios	
-Noncash Incor	me/Gain		Goodwill - goodwill is allocated to each capital	
	Add: increase in	liabs decrease in assets	account, then the capital accounts are sold	
	Subtract: increase	in Assets decrease in liabs		
			Liquidation of a Partnership	
Permanent Tax	x Differences - do	not reverse, for current year, no DTL/DTA	1) disposal all assets and collect all cash	
Examples are a	a) nontaxable b) r	ondeductible c) special tax allowances	2) pay off all liabilities to creditors	
- tax exempt in	nterest income (mu	inicipal/state)	3) distribute the remainder based on P/L	
- life insurance	proceeds on offic	ers key man policy		
- life insurance	premiums when o	orp is beneficiary	PPE T-Chart (used for cash flows)	
- certain penal	ties, fines, bribes,	and kickbacks	Beginning Balance Depreciation Expense	
- nondeductibl	le portion of meal/	entertainment expense	Acquisitions PPE Sold	
- dividends-rec	eived deduction fo	or corporation	Ending Balance	
-excess percent	tage depletion ove	er cost depletion		
			Intraperiod Tax Allocation	
Uncertain Tax	Position		Include in tax allocation:	
Step 1: Recogn	nition of Tax Benef	it	I - Income from continuing operations	
- must have	e a more than 50%	chance of expected outcome of found issue	D - Discontinued operations	
if it fails t	he 50% test →	DR: Tax Expense	A - Accounting principle change (retrospective)	
1		CR: Other Liabilities		

Step 2: Measurement of tax benefit

- recognize the largest amount of benefit that is greater than 50%

nase price = book value onus ollars stay the same hase price < book value ital + interest to new partner te → bonus to old 1 a 2 ai ар te → bonus to new

AFS

нтм

DR: Premium

CR: Land

CR: Investment in Bonds CR: Gain on extingishment of bonds

DR: Intercompany Gain on Sale of Land

Intercompany Fixed Assets - must eliminate G/L + establish old A/D

1) Book Income First, Tax Income Later → DTL (tax income later)

 Tax Income First, Book Income Later → DTA (tax income first) prepaids rent, interest, and rovalties

Temporary Tax Differences → will reverse with deferred tax differences

- installment sales, contractors accounting, equity method

3) Book Expense First, Tax Expense Later → DTA (tax deduction later)

4) Tax Expense First, Book Expense Later → DTL (tax deduction first) depreciation, prepaid expenses, FIFO(tax)/LIFO(book) in rising pricing

Changes in Tax Status Non-Tax to Taxable: recognize any DTs from temps Taxable to non-tax: write off any DTAs and DTLs

Investee's Undistributed Earnings (permanent) Owns 0-19% → 50% exclus Owns 20-80% → 65% exclusion Owns +80% \rightarrow 100% exclusion

Valuation of Debt Securities Classification Reported At Unrealized G/L Cash Flows Trading Fair Value Operating/Investing Net Income Fair Value OCI Investing Amortized Cost Investing None Purchase/Sale of Current Assets → operating cash flows Purchase/Sale of Non-Current Assets → Investing cash flow Sale of Debt Securities Trading Security → realized G/L is difference between Selling Price and Carrying Value at sale DR: Cash → @ Selling Price DR: Cash → @ Selling Price CR: Trading Security → @ carrying value DR: Realized Loss on trading security CR: Trading Security → @ carrying value CR: Realized Gain on trading security AFS → unrealized G/L is difference between Selling Price and original cost of the security - must reverse any unrealized G/Ls Equity Method → with significant influence (20-50%) 2) Do no Mark to Market 1) dividends on common stock are NOT Income ment are originally recorded @price paid to acquir DR: Investment in X CR: Cash ment are adjusted for share of Net Incom DR: Investment in X CR: Investee Income tribution of Dividends reduce investment ac DR: Cash CR: Investment in X Eliminating Intercompany Transactions → when consolidating 100% of intercompany; eliminate these Sales/COGS (Intercompany Inventory) - total amount of COGS/Sales should be eliminated DR: Intercompany Sales DR: Retained Earnings → take the profit out of R/E CR: Intercompany COGS $\mathsf{CR}:\mathsf{COGS}\to\mathsf{when}$ the inventories are sold to outsiders CR: Ending Invetory \rightarrow when invtory is still on hand Interest (Bonds) - debt is considered retired; eliminate amortization and interest gain/loss is difference between price to reacquire debt and book value of debt DR: Bond Payable

Deferred Tax Items are always reported as non-current

bad debt, liability/warranty expense, FIFO(tax)/LIFO(book) in falling pricing

Intercompany Sale of Land - gain/loss needs to be undone done every year after but with R/E

F5: Investments, CFs, and Taxes

https://www.facebook.com/groups/1632715387517897

FAR Cheat Sheet

Objectives of Gov Accounting	Governmental Accounting Standards Board (GASB)	Characteristics of Info in Gov F/S	
- designed to demonstrate the <i>accountability</i> of each organization	- establishes accounting/reporting standards for govs	Understandability → could be understood by individ	uals without a knowledge of accountir
- used to demonstrate fiscal accountability in their external reporting	GASB /6 GAAP Hierarchy	Reliability → verifiable, free from bias, represent sub	oject matter
any organization with funding or organized with the gov uses it	1) GASB Accounting Standards Board Statements	Relevance → reported into will make a difference	
- outlined in GASB Concent statements 1-6	2) GASB Bulletins, guides, and AICFA cleared into	Consistency \rightarrow accounting principals should not char	
establishes objectives of public accountability	Modified Accrual	Entity-to-Entity Comps → reports should be compar:	able
Accountability - provide financial info to citizen to justify raising resources	Bevenue is recognized when available (sellestible in	Entry to Entry comps - reports should be compare	
Interperiod Equity - keep burden on current tax payers	period or in 60 days	Governmental Funds - current financial resources &	Modified Accrual
	expenditures are recorded when liability is incurred	General Fund - account for ordinary operations of a g	ov unit financed by taxes and other ge
und Accounting Basics	no long term assets/loans	Special Revenue Fund - revenues from specific taxes of	or earmarks; are restricted or committ
measurement focus accounting basis		Debt Service Funds - account for. accumulation of res	ources; are restricted, committed, or a
Governmental current financial resources Modified Accrual	Characteristics of NFPs	Capital Project Fund - used for construction of major	capital assets; are restricted, committe
Proprietary economic resources Full Accrual	- revenues come from contributions	Permanent Fund - resources that are legally restricted	d to extent that income and not princi
Fiduciary economic resources Full Accrual	 operating purposes does not include profit 	Gov Fund F/S	
	- ownership interest are unlike business enterprises	1) Balance Sheet	
leeds of NFP Users	NFP Basics	Statement of Revenues, Expenditures, and chan	iges in fund balances
) amount and nature of an organization assets, liabs, and net assets	Standards set by: EASB	Proprietary Funds - economic resources & Full Accru	al
) amount/kinds of inflows/outflows of economic resources	Standards Set by: 1165	Internal Service Funds - business accounting with cus	tomer who are internal (cost-reimbur:
) relationship between the inflows and outflows	NFP's F/S	Enterprise Funds - customers are external; at least 50	0% are self supported
) how an organization obtains and spends cash	1) Statement of Financial Position	Enterprise Funds are required if any are met:	
) the service efforts of an organization	2) Statement of Activities	1) debt servaced by pledge of fee revenue	
	3) Statement of CFs	2) law requires fees adequate to recover cost	ts
tatement of Cash Flows (NFP)		pricing policies are estiablished to produce	e fees to recover them
)perating Activities	Statement of Financial Position (NFP)	Proprietary Fund F/S	
receipts/payments for settlements of lawsuits	1) Assets	1) Statement of Net Position	
proceeds from insurance settlements	2) Liabilities	2) Statement of Revenues, Expenses, and changes	in net position
retunds trom suppliers or to customers	3) Net Assets (Equity)	riducione Funda	
charitable contributions and disbursements	a) Net Assets with Donor Restrictions	Fiduciary Funds - economic resources & Full Accrual	in most fidering f
reported activity by major class of gross receipts	D) Net Assets without Donor Restrictions	Lustodial Funds - temporary custody and is catch all f	or most fiduciary funds
nonceeds from sale of financial assets (not for long term purposes)	Statement of Activities (NED)	Private Purnose Trust Funds - account for external investo	nem pools
cash payments for suppliers, employees, interest or agency	1) Change in total net assets	Pension (+Other Employee Renefit) Funds - recourses	s of employee benefit plan'
nvesting Activities	2) Change in net assets with donor restrictions	Fiduciary Fund F/S	
Investments in PPE	3) Change in net assets without donor restrictions	1) Statement of Fiduicary Net Position	
Proceeds from sale of works of art		2) Statement of Changes in Fiduciary Net Position	
proceeds from sale of assets that were received restricted to new PPE	Contributions Basics		
inancing Activities	- unconditional	NFP Revenue Recognition	
proceeds from borrowing and repayment of it	- must be a transfer of asset	Cash Contributions	Unconditional Promises (Pledges)
receipts from contributions restricted for PPE	- title must pass	- recognized as revenues/gains in period received	pleage receivable and contribution are when received
contributions restricted for growing endowment fund	- must be nonreciprocal	Multi-Year Pledge	Conditional Promises (Pledges)
Recipient Accounting		pledge receivable and contribution are recorded at	no recognition of pledge receivable or
Not Financial Interrelate/Without Variance Power	Conditional Contributions	net present value when received	until condition is met in the future
JR: Asset at FV	- are not recognized until realized and has	Donated Services	Record Conditional Promises Advance
CR: Refundable Advance Liability	a) barriers	- generally not recorded unless: (creates an asset)	DR: Cash
lot Financial Interrelate/With Variance Power	b) right of return	S - Specialized skills are required	CR: Refundable Advance
JR: Asset at FV	Specific barriers	O - otherwise needed by the organization	Donated Collected Items (must do it f
CR: Contribution Revenue	1) specified levels of service	M - measurable	Don't Have to record if all:
Interretatea	 2) specific outcomes or outputs are required 3) matchings provisions are attacked to the sift 	E - easily at Fair Value	a) part of collection in:
	1.57 matchings provisions are attached to the gift	Donated materials Conty it significant	 b) collection is cared for perserved
CR: Contribution Revenue	4) outside events must occur or be received	DR: Asset/Exnence	o, concentri s careu for, perserved,
CR: Contribution Revenue	4) outside events must occur or be resolved	DR: Asset/Expense CR: Contribution Revenue	c) policy requires proceeds to re-inv
CR: Contribution Revenue CR: Contribution Revenue Interficiary Accounting Iot Financial Interrelate/Without Variance Power	4) outside events must occur or be resolved	DR: Asset/Expense CR: Contribution Revenue	c) policy requires proceeds to re-inv
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CR: Contribution Revenue eneficiary Accounting ot Financial Interrelate/Without Variance Power R: Receivable CR: Contribution Revenue ot Financial Interrelate/Beneficial Relationship	4) outside events must occur or be resolved	DR: Asset/Expense CR: Contribution Revenue	c) policy requires proceeds to re-inv policy requires proceeds to re-inv
CR: Contribution Revenue eneficiary Accounting ot Financial Interrelate/Without Variance Power R: Receivable CR: Contribution Revenue ot Financial Interrelate/Beneficial Relationship R: Beneficial Interest	4) outside events must occur or be resolved	DR: Asset/Expense CR: Contribution Revenue	c) policy requires proceeds to re-inv policy requires proceeds to re-inv
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Dr. Asset al PV CR: Contribution Revenue Beneficiary Accounting Vet Financial Interrelate/Without Variance Power DR: Receivable CR: Contribution Revenue Not Financial Interrelate/Beneficial Relationship DR: Beneficial Interest CR: Contribution Revenue Financial Interrelated DR: Interest in recipient net assets CR: Change ininterest in reciepents net assets CR: Change ininterest in reciepents net assets SR: State Sta	4) outside events must occur or be resolved	DR: Asset/Expense CR: Contribution Revenue	 c) policy requires proceeds to re-inv 38153,1891 383153,1891

Characteristics of NEPs

Statement of Financial Position (NFP)

Statement of Activities (NFP)

Contributions Basics

Conditional Contributions				
 are not recognized until realized and has 				
a) barriers				
b) right of return				
Specific barriers				
1) specified levels of service				
2) specific outcomes or outputs are required				
3) matchings provisions are attached to the gift				
outside events must occur or be resolved				

Characteristics of Info in Gov F/S

nderstandability \rightarrow could be understood by individuals without a knowledge of accounting principles Reliability → verifiable, free from bias, represent subject matter elevance → reported info will make a difference meliness \rightarrow Must be issued in time to have effect on decisions onsistency → accounting principals should not change year over year ntity-to-Entity Comps → reports should be comparable

Governmental Funds - current financial resources & Modified Accrual eneral Fund - account for ordinary operations of a gov unit financed by taxes and other general resources

ial Revenue Fund - revenues from specific taxes or earmarks; are restricted or committed ebt Service Funds - account for. accumulation of resources; are restricted, committed, or assigned apital Project Fund - used for construction of major capital assets; are restricted, committed, or assigned rmanent Fund - resources that are legally restricted to extent that income and not principal is used Gov Fund F/S

1) Balance Sheet

Proprietary Funds - economic resources & Full Accrual

nal Service Funds - business accounting with customer who are internal (cost-reimbursement basis) terprise Funds - customers are external; at least 50% are self supported

- Enterprise Funds are required if any are met:
 - 1) debt servaced by pledge of fee revenue
 - 2) law requires fees adequate to recover costs

Proprietary Fund F/S 1) Statement of Net Position

sion (+Other Employee Benefit) Funds - resources of employee benefit plan Fiduciary Fund F/S 1) Statement of Fiduicary Net Position

NTP Revenue Recognition			
Cash Contributions	Unconditional Promises (Pledges)		
 recognized as revenues/gains in period received 	pledge receivable and contribution are recorded at FV when received		
- measured at FV at date of gift			
Multi-Year Pledge	Conditional Promises (Pledges)		
pledge receivable and contribution are recorded at net present value when received	no recognition of pledge receivable or contribution until condition is met in the future		
Donated Services	Record Conditional Promises Advance		
- generally not recorded unless: (creates an asset)	DR: Cash		
S - Specialized skills are required	CR: Refundable Advance		
o - otherwise needed by the organization	Donated Collected Items (must do it for all or none)		
M - measurable	Don't Have to record if all:		
E - easily at Fair Value	a) part of collection in:		
Donated Materials *only if significant	public viewing, exhibition, education or research		
DR: Asset/Expense	b) collection is cared for, perserved, protected by org		
CR: Contribution Revenue	c) policy requires proceeds to re-invest or help		