

Financial Statements
EXPLAINED

INCOME STATEMENT

Time Period Period of time. Example: 1/1-12/31/2021

What it solves Are you profitable?

FORMULA Revenue - Expense = Net Income

$$\begin{array}{rcl}
 \text{Revenue} & - & \text{Cost of Goods Sold (COGs)} \\
 \hline
 = \text{Gross Profit} & - & \text{Operating Expense} \\
 \hline
 = \text{Operating Income} & - & \text{Non-Operating Income / Exp.} \\
 \hline
 = \text{Net Income}
 \end{array}$$

REVENUE	
Total Revenue	All the money earned within the stated period before taking out any expenses.
Cost of Revenue	Total cost associated with selling a good or service. F.eg.: Manufacturing, delivering, etc.
Gross Profit	The profit after deducting the costs associated with making and selling of the products.
OPERATING EXPENSES	
Research Development	Costs of innovating and introducing new products and services.
Selling General and Administrative	Pretty much all costs not directly connected to manufacturing a product or performing a service. F.eg. Salaries, rent, utilities, insurance, marketing, etc.
Non Recurring	One time expenses. F.eg. Acquisitions, large-scale purchases of real state or equipment.
Others	Expenses not related to the company's main business. F.eg. Selling of fixed assets, interest expenses, etc.
Total Operating Expenses	The sum of all expenses.
Operating Income or Loss	Gross profit from above minus the Total Operating Expenses.
INCOME FROM CONTINUING OPERATIONS	
Total Other Income / Expenses Net	Income arising from activities unrelated to the main business.
Earnings Before Interest and Taxes	Earnings before deducting interest and taxes.
Income Before Tax	Earnings after deducting interest but before taxes.
Income Tax Expense	Total amount of taxes owed by the company.
Net Income from Continuing Operations	Income from continuing operations after deducting all expenses.
NON-RECURRING EVENTS	
Discounted Operations	Refers to parts of a firm's business that have been shut down.
Extraordinary Items	Some unusual (one time) event that is further explained in the notes.
Effect of Accounting Changes	Change in accounting principle that leads to a "loss" or "gain".
Other Items	Other unusual, infrequent events not yet mentioned.
NET INCOME	
Net Income	Income after expenses.
Preferred Stock and Other Adjustments	Net income paid in preferred stock dividends.
Net Income Applicable to Common Shares	Net income applicable to common shareholders.

BALANCE SHEET

Time Period Snapshot in Time. Example: 12/31/2021

What is solves Are you healthy?

FORMULA Assets = Liabilities + Equity

Assets

Current Assets
Long - Term Assets

Liabilities

Current Liabilities
Long-term Liabilities

Stockholder's Equity

Stock
Additional Paid in Capital
Retained Earnings

ASSETS

Current Assets < 12 months	Cash & Equivalents	Cash, T-Bills < 3 Month Maturity
	Marketable Securities	Equity, Debt (Liquid Financial Instruments)
	Accounts Receivable	Outstanding Payments by customers
	Inventory	Produced Goods ready for sale
	Prepaid Expenses	Rent, Insurance Advanced Payments
Long Term Assets	Long Term Investments	Illiquid Securities < 1 Year
	Fixed Assets	Land, Machinery, Equipment, Buildings
	Intangible Assets	Brandname, Goodwill, Patents, Trademarks

LIABILITIES

Current Liabilities	Short-Term Debt	Debts that is due < 1 Year
	Payables	Interest, Wages, Dividends, Taxes, Accrued Liabilities
	Long-Term Debt	Interest & Principal on bonds > 1 Year
	Deferred Taxes	Taxes Due > 1 Year
	Pension Liabilities	Employee Retirement
Long Term Assets	Retained Earnings	Profits kept by the Company
	Treasury Stock	Repurchased Stock
	Additional Paid-In Capital	Shareholder Investments beyond par value price.

STATEMENT OF CASH FLOWS

Time Period Period of time. Example: 1/1-12/31/2021

What is solves Where is cash going?

FORMULA Beg Cash +/- Changes = Ending Cash

Net Income	+/- Non-Cash Charges
	+/- Changes in Working Capital
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= Operating Cash Flow	- Capital Expenditures
	- Acquisitions
	+ Proceeds from Investment Sales
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= Net Cash Used for Investing	
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= Changes in Cash During the Period	+ Cash at Start of Period
<hr/>	
= Cash at End of Period	

CASH FLOW FROM OPERATING ACTIVITIES

Net Income (Bottom Line of the Income Statement).

+ Non-Cash-Charges (F.eg. Depreciation, amortization, stock-based compensation).

+/- Changes in Networking Capital

Net Cash provided by operating activities.

CASH FLOWS FROM INVESTING ACTIVITIES

- Capital Expenditures (F.eg. Property, Plant, Equipment).

- Acquisitions

+ Proceeds from sale of equipment or marketable securities.

Net Cash provided by investing activities.

CASH FLOWS FROM FINANCING ACTIVITIES

+/- Issuing Debt / Repaying Debt

+/- Issuing Stock / Repurchasing Stock

- Dividends Paid

Net Cash provided by financing activities

NET INCREASE IN CASH DURING THE YEAR