ACCTG102 notes

Disclaimer

These notes are not intended for stand-alone study – they are a summary of what is useful to me and are not ENTIRELY comprehensive (but pretty close to it). They are mostly theory-based. Look at the course-book and text-book, tutorial and assignment answers for how to do most of the calculations. Please do not ask for calculation notes, I do not intend to make them. That being said, I hope they are incredibly helpful.

Chapter 1 – "Theory and concepts"

What is accounting?

- The purpose of accounting is to **identify and record** (residual analysis) and **communicate** (generally through statements) the economic events of an **organisation** to **interested users**.

Who uses accounting data?

- **Internal users:** Within the organisation – management, employees, various departments
- **External users:** Taxation authorities, customers, investors, creditors, suppliers
- Different entities have different needs for the information and access to information

Laws regarding accounting

- NZ Financial Reporting Act of 1993
    - Set to be replaced by the Financial Reporting Bill by 2015.
- Who is involved in the rule-setting process?
    - International Accounting Standards Board (IASB) – 15 members
    - NZ External Reporting Board (XRB) – 9 members
    - NZ Accounting Standards Board (NZASB) – 10 members (committee of XRB)
- The XRB is responsible for setting auditing and accounting standards.
- Standard setting process
    - IASB: Research topic / discussion paper; due process (public comment); exposure draft; due process; issued if 9 of 15 members approve
    - NZASB: Received IASB standard; submitted to XRB for approval
    - NZASB has the power to come up with new NZ-specific FRS to supplement IFRS, but not often

Generally accepted accounting practice (GAAP)

- GAAP includes IFRS, IASB interpretations of IFRS, NZ-specific FRS
- Currently, private "for-profit" entities must follow GAAP.
- In the FRB, only "publicly accountable" or "large" entities must follow GAAP.
    - Publicly accountable = majority of debt or equity instruments are traded on exchanges (shares or debentures traded publicly)
    - Large = At least $30m revenue and $60m assets **or** 10 shareholders
- If there is no standard:
    - Analogy (similar principles from another standard)
    - Conceptual Framework (see below)
- By following GAAP, it is presumed you have a true and fair view
    - If not, must follow standard and have footnotes explaining why it is not true and fair
- Two tiers of GAAP in NZ

- Tier 1: Publicly accountable and/or large: Full IFRS
- Tier 2: Neither publicly accounting or large: Reduced disclosure (must be elected to qualify for tier 2 – difference is a level of disclosure)

Conceptual Framework

- The framework is not a standard – it is only a set of guidelines
- Three levels:
  - Basic objective of financial accounting (not management)
  - Qualitative characteristics, elements
  - Underlying assumptions (both explicit and implicit), measurement bases

Objective of financial reporting

- To provide **general purpose** (for majority of external users) **financial reporting** about the reporting entity that is decision-useful to **primary users** of the entity's financial reports.

Qualitative characteristics

- **Fundamental** characteristics – if information is relevant and faithful, it is decision-useful.
  - Relevance – information is relevant if it is capable of influencing a decision
    - Materiality – by size or nature
  - Faithful representation
    - Complete – sufficient detail
    - Neutral – free from bias
    - Free from error – we still allow educated estimates
  - "Prudence is dead."
- **Enhancing** characteristics
  - Comparability – both between entities and within an entity over time
  - Verifiability
  - Timeliness
  - Understandability – to those with reasonable background knowledge of business and economic activities.

Elements

- Assets
  - Past event
  - Present control of a resource – we can limit use, not necessarily own
  - Probable future economic benefit
  - Reliable measurement
- Liabilities
  - Past event
  - Present obligation
  - Probable future outflow of resources
  - Reliable measurement

- Current assets/liabilities – within 12 months or one accounting period, whichever is longer

- Equity
  - Residual interest in assets after deducting all liabilities
- Income
  - Increases in economic benefits
  - From increases to total assets or decreases to total liabilities
  - Increase in equity, other than owner contributions
  - Dependent on measurement of assets/liabilities

- Expenses
    - Decreases in economic benefits
    - From decreases to total assets or increases to total liabilities
    - Decrease in equity, other than owner distributions
    - Dependent on measurement of assets/liabilities

Assumptions

- Going concern – explicit
- Periodicity – implicit (comes under comparability and timeliness)
- Monetary unit – implicit
- Accrual accounting – not necessary (definition of elements)

Measurement bases

- Historical cost
- Fair value (sell the asset for under current market conditions)
- Present value (time value of money)
- Liquidation value (if going concern fails, business will shut down)

The accounting equation

- Assets – Liabilities = Equity + Income - Expenses
- Not all economic benefits are recorded in accounting records.
- Accounting transactions are exchanges of value between two separate entities – all recorded
- Other economic events might be recorded (revaluation, depreciation, inventory write-down)

Residual analysis (some random crap made up by Glenn)

- Residual analysis uses the Conceptual Framework (definition of elements) to identify if an economic event has affected the accounting equation.
- Steps:
    - Have assets increased? Explain using definition
    - Have assets decreased? Only explain no future economic benefit.
    - Is equation in balance? If no, liabilities

    - Have liabilities increased? Explain using definition
    - Have liabilities decreased? Only explain no present obligation.
    - Is equation in balance? If no, equity

    - If net assets increased
        - Is this owner contribution?
        - If not, income.
    - If net assets decreased
        - Is this owner distribution?
        - If not, expense.
    - Ragequit.

Financial statements

- Required: Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position (Balance Sheet), Statement of Cash Flows
- Comparative information from previous period is generally required.
- Presentation should be similar between periods.
- Footnotes are required:
    - Statement of compliance
    - Summarise accounting policies used, and judgements made
    - Provide supporting information for items on the face of the statements

Important notes for formatting statements

- Dollar signs to start a column and above a double-underline.
- Header: name of company; name of statement; date/period

Statement of Comprehensive Income

- Bottom line:
    - If there is no CI: Profit and comprehensive income
    - If there is CI: Profit, *then* total comprehensive income
    - Other comprehensive income affects other reserves, not retained earnings

Balance Sheet

- Current assets, non-current assets, total assets
- Current liabilities, non-current liabilities, equity, total liabilities & equity

Statement of Cash Flows

- Operating activities (generally income and expenses)
- Investing activities (generally non-current assets)
- Financing activities (generally liabilities and equity)
- Net change in cash, cash at beginning of period, cash at end of period

Minimum disclosure requirements (Chapter 4/5 but w/e)

Cash Flow Statement (I added this)

- Everything that is cash is included in the cash flow statement
- No consideration for accrual accounting

Balance Sheet

- Assets/liabilities are sorted by current/non-current (normal) or liquidity (rare)
- On the face
    - Cash and cash equivalents
    - Receivables
    - Inventories
    - Property, plant and equipment
    - Intangibles
    - Investment property

    - Trade and other payables

    - Provisions
    - Other financial liabilities

    - Contributed equity/share capital
    - Reserves – including retained earnings

Chapter 2 – Journals and ledgers

General definitions

- Double entry system – each recordable event affects at least two accounts, total debits must equal total credits

- Normal balance
    - Assets (and expenses) have normal debit balances
    - Liabilities, (income) and equity have normal credit balances
    - Note: GST clearing does not have a normal balance

- Account - a record of increases and decreases in a specific element.

- Journal – book of original entry, which discloses complete effects of an event and provides a chronological record of events.

- Journalising
    - The _____ account has increased/decreased, which increases/decreases assets/liabilities/equity.
    - This increase to assets/liabilities/equity is recorded with a debit/credit.
    - Therefore, debit/credit the _____ account.

- Ledger - contains all accounts maintained by a business

- Chart of accounts – a list of all accounts with individual numbers
    - General rule – 1XX assets, 2XX liabilities, 3XX equity, 4XX income, 5XX expenses

- Posting – the process of transferring from the journal to the ledger

- Trial balance – a list of accounts and their balances at a given time

Chapter 3 – Adjusting entries

Accounting cycle

- Journalise, post to ledger
    - Unadjusted trial balance
- Adjusting entries, post to ledger
    - Adjusted trial balance
- **Financial statements**
- Closing journal entries, post to ledger
    - Post-closing trial balance
- Return to start

Accounting period

- Accountants divide the economic life of a business into time periods
    - e.g. monthly, quarterly, semi-annually (includes interim), annually (generally not calendar year)

Adjusting entries

- Adjusting entries NEVER include cash
- Make sure you check chart of accounts if provided for account names

Why do we have them?

- Some events are not journalised daily for efficiency
- Some events are not reliably known until the end of the period
- Some events were not recorded as invoiced were not sent/received, but we still have to

Examples

- Assets have been (partially) consumed - supplies, prepayments have been consumed
- Liabilities have been (partially) satisfied - unearned revenue may have been earned

- Revenue accruals – goods or services provided, but not billed or paid
- Expense accruals – goods or services received, but not billed or paid
- Expense recorded in full when cash paid, but some future benefit still exists

- Depreciation

Chapter 4 – Completing the accounting cycle (closing entries)

Nature and purpose

- Nature: Transfer temporary accounts to permanent accounts
    - Temporary accounts – income, expenses, dividends – only relate to one accounting period
    - Permanent accounts – assets, liabilities, share capital/reserves (balance sheet equity) – carried forward into future accounting periods
- Purpose: Update reserve balances, give temporary accounts a 'fresh start'

The closing process

- Debit revenues and gains that affect profit, credit income summary
- Credit expenses and losses, debit income summary
- If profit, debit income summary, credit retained earnings (if loss, reverse)
- Credit dividends, debit retained earnings (directly, not to income summary)
- Debit other comprehensive income, credit other reserves (in general)

Correcting entries

- If you've screwed up…
- Correcting entries are made whenever an error is discovered
- They must be posted before closing entries occur

- If an income or expense is incorrectly stated
    - If the error is found during the period, correct them to their income or expense account
    - If the error is found after the period, correct them to retained earnings (as we have already closed them for the period)

Disclosure requirements listed under Chapter 2

Chapter 5 – Inventory

Definitions of inventory

- Inventories are current assets held:
    - For sale in the ordinary course of business (finished goods)
    - In the process of production for such sale (work in progress)
    - In the form of materials or supplies to be consumed in the production process (raw materials)

Inventory systems

Periodic

- Not commonly used
- No running record of inventory, cost of goods sold

Perpetual

- Commonly used, technology helps
- Merchandise inventory and cost of goods sold are updated as transactions occur
- Periodic inventory counts are still needed to check inventory levels (calculate thefts, errors etc.)

Freight costs

- Note: FOB = freight on board

FOB shipping point

- When the seller gives goods to the carrier, control is given to the buyer
- Buyer pays the freight costs, which are considered part of merchandise inventory cost
- Buyer is responsible for insurance

FOB Destination

- Seller has control of the goods while in shipment - buyer only gains control when goods arrive
- Seller pays for freight costs, freight-out expense

Purchase returns and allowances / discounts

- Return – inventory is returned
- Allowance – inventory is not returned, but a discount is allowed

- For the buyer, returns reduce the cost of merchandise inventory (credited)
- For the seller, returns increase 'sales returns and allowances' or 'sales discount' account – contra-revenue accounts

- All costs incurred before the asset is **ready for intended use** are part of the cost of the asset.

Statement of Comprehensive Income format listed under Chapter 2

Chapter 5½ - GST (clearing)

General rules

- GST is a domestic consumption (only within New Zealand [not a tax on exports, but including imports]), value-added tax.
- In general, most businesses:
    - Collect GST from customers when they sell their products; this amount is due to the government (current payable)
    - Pay GST to suppliers for most assets and expenses (including prepayments); this amount may be claimed back from the government (current receivable)
- Effectively, the tax is only levied on the **value added** by a business.
- Effectively, the consumer pays the entire amount of GST.
- GST rate in New Zealand is 15%

- GST is neither an expense or a revenue – it is a current asset or liability
- Most assets/liabilities/expenses/revenues are stated net of GST – exceptions are accounts receivable and accounts payable
- "*GST clearing*" does not have a normal debit/credit balance

- If a business is not GST registered, then assets and expenses are more costly – cannot claim back GST

Calculations

- If the invoice is GST inclusive, then divide by 1.15 to get GST exclusive price, difference is GST value
- If the invoice is GST exclusive, multiply by 0.15 to get the GST value, or multiply by 1.15 to get GST inclusive price

Exceptions

- If a business has turnover less than $60,000 a year, they do not have register for GST.
    - They do not have to pay GST, but cannot claim it back either.
- Some goods are services are exempt:
    - Financial transactions – loans and interest, securities (debentures, share transactions), dividends, bank fees
    - "Zero-rated" activities – e.g. exports
    - Wages (there are P.A.Y.E. taxes) – does not include independent contractors
    - Non-accrual adjusting journal entries – depreciation, inventory write-down

DON'T FORGET TO ACCOUNT FOR GST!

Chapter 5¾ - ratios

Earnings per share

- **Required on the SOCI**
- Formula = (Profit after tax – Dividends) ÷ Number of ordinary shares

Gross profit ratio

- Formula = Gross profit ÷ net sales

Operating expenses ratio

- Formula = Operating expenses ÷ net sales

Profit margin ratio

- Formula = Profit after tax ÷ net sales

Return on assets

- Formula = EBIT ÷ average assets

Note:

- Net sales = Gross sales – sales returns/allowances/discounts
- Gross profit = Net sales – cost of goods sold
- Operating expenses – does not include finance costs or tax
- EBIT = Gross profit – operating expenses
- Average assets = (Total assets start of period + total assets end of period) ÷ 2

Part 2 (post-test)

Chapter 6 – Inventory Part 2

Ending inventory

- Counting physical inventory
    - Periodic: To determine the asset value and cost of goods sold value
    - Perpetual: To confirm the asset value in the ledger
- Goods in transit (purchased and sold)
- Consigned goods
    - Holding goods of other parties (consignors) by a business (consignee)
    - Inventory goes in the consignor's books

Measuring inventory

- Specific Identification
    - Only allowed when inventory is heterogeneous (every item is individual)
    - However, this means we 'specifically identify' a type of inventory (i.e. we distinguish 42-inch TVs from 60-inch TVs)
- First-in, first-out (FIFO)
    - Earliest inventory purchased is sold first
- Weighted-average
    - Average the purchase cost of all inventories

- Normally just one method is used, rare to have a mix
    - Not usually changed unless there is a good reason
- FIFO results in higher ending inventory value, lower COGS (vice versa for W/A)
    - FIFO is more representative in terms of physical flow argument (companies try to sell oldest inventory first)
    - W/A is more representative in terms of replacement cost argument (more recent prices impacting COGS)

Cost vs. Net realisable value

- Inventory is recorded at the lower of cost and NRV
- Writedown occurs item by item
- Classified as **other income and expenses**

Inventory analysis

Turnover

- Formula = Cost of goods sold ÷ Average inventory ((Year 1 + Year 2) ÷ 2)
- Measured as a time (i.e. 3.65×)

Days in inventory

- Formula = 365 ÷ Inventory turnover

Chapter 7 – Fraud, internal control and cash

Fraud

- Internal theft
- 'A intentional dishonest act by an employee that results in personal benefit to the employee at a cost to the employer'
- Caused by
    - Opportunity
    - Financial pressure
    - Rationalisation (the ability to cover it up)

Internal control

- Designed to safeguard assets and make accounting records more 'correct'

Key components

- A control environment (code of ethics)
- Risk assessment
- Information and communication
- Monitoring (auditors)
- Control activities
    - Establishment of responsibility
    - Segregation of duties
    - Documentation procedures
    - Physical controls
    - Independent verification
    - Human resource controls

Petty cash

- A very small amount of cash kept for small disbursements
- Petty cash is never adjusted (unless fund is re-sized)
- Any discrepancies between receipts in the box and actual cash are recorded in cash over and short

Bank reconciliation

- To compare differences in the bank ledger and the bank statement
    - Deposits in transit
    - Outstanding cheques
    - Errors
    - Bank memoranda
- Any changes to be made on the business side are adjusted in our journals and ledgers
- Any changes on the bank side will be done in the bank reconciliation

Steps

- Collect bank statement, cash ledger account and previous bank reconciliation
- Compare previous bank reconciliation to current bank statement
    - Any 'deposits in transit' and 'outstanding cheques' from last period that have gone through can be crossed off
    - Compare cash ledger with bank statement
        - Journal entries may be required
    - Prepare the bank reconciliation from remaining reconciling items
- New journal balance should match balance on the reconciliation statement

Cash

- Includes cash on hand, demand deposits (savings accounts) and cash equivalents (short-term highly liquid investments)
- Almost always a current asset
    - Overdraft
    - Restricted and not expected to be used within 12 months (rare)

Chapter 8 – Receivables

Receivables

- Accounts receivable (from sales of goods and services)
- Notes receivable (with a promissory note) are SEPARATE
- Other receivables

- Shown at recoverable amount
    - Direct write-off method is bad (still overstates receivables)
- Allowance method
    - Allowance for doubtful debts contra-asset
- Use the 3-step method
    - Closing balance
    - Opening balance & changes during the year (e.g. accounts receivable collected)
    - Work out the difference – bad debts expense
- Factoring receivables
    - "Selling" receivables to another company
    - Means we have cash
    - Pay a service charge
        - Credit cards

- Accounts receivable turnover ratio
    - Formula = net **credit** sales ÷ average **gross** A/R
    - Credit sales less returns/allowances/discounts
    - Do not deduct the allowance for doubtful accounts
    - But do deduct GST
- Average collection period
    - Formula = 365 ÷ accounts receivable turnover ratio
    - Should be compared to credit terms given to debtors (2/10, net/30 for example)

- Disclosure
    - On face – total receivables less allowances
    - In footnotes – more detail and breakdown

Chapter 9 – Non-current assets (PPE and Intangibles)

Property, plant and equipment

- Property – land and land improvements
- Plant – buildings
- Equipment

LITTLE NOTABLES EXCLUSIVE – MATT CHESSUM

Characteristics

- Used in operations and not for resale
- Long-term in nature and normally depreciated (except land)
- Possess physical substance

- Separate from investment property (where an asset is held to generate income but not through operations (i.e. purchasing land to invest as prices rise)
- Separate to PPE held for sale – must be under an active program to find a buyer – becomes current asset

Capitalisation

- We capitalise any costs involved in getting the asset ready for its intended use (location and condition) decided upon by management
    - Land
        - Purchase price
        - Costs in purchase (title and attorney fees)
        - Broker's commission
        - 'Repairing' land (grading, filling, draining, clearing etc)
        - Assumption of an existing mortgage
    - Land improvements
        - Later additions to the land to make it better
        - Driveways
        - Parking lots
        - Fences
    - Buildings
        - Purchase price
        - Renovation costs
        - Construction costs/architect fees
        - Interest on debt **during** construction only if **"long period of time during which the asset is not ready for use"** (six+ months)
    - Equipment
        - Purchase price
        - Freight
        - Assembly and installation
        - Trial runs
        - **Not** repairs prior to use if our fault – these are regular repairs expense

Depreciation

- Depreciation = the systematic allocation of the depreciable amount of the asset over its useful life
- Depreciable amount = capitalised amount less residual value
- Residual value = how much the asset it would sell for **today** if in the expected age and condition at future point of sale
- When? Once the asset is ready for use
- Closed to accumulated depreciation every year

Methods of depreciation

- Straight line
- Declining balance (double the straight-line rate)
    - 100% ÷ useful life in years × 2
- Units-of-use (not covered)
- Can be changed but only to be more accurate and must be disclosed in footnotes

Expenditures during useful life

- Repairs to maintain condition – revenue (repeated) expenditure - expense
- Additions to improve condition – capitalised expenditure – asset
- Annual expenditure (e.g. depreciation) – expense

Revaluation

- Revalue an entire class of PPE
- Revalue to current market value
    - Similar asset values
    - Discounted cash flow (net present value) – will be given to us
- Accumulated depreciation is removed and then the asset is revalued
- Revaluation surplus closed to revaluation reserve as long as it a **positive credit balance**
    - Otherwise regular expense

Disposal

- Similar to revaluation
- Remove depreciation and credit the asset
- Change any other assets and liabilities affected (cash, accounts receivable generally)
- Record a loss or gain – other income and expenses

Intangible assets

Characteristics

- No physical substance
- Non-monetary (i.e. not receivables)
- Non-current

- Patents
- Software
- Franchises
- Trademarks
- Copyrights
- Goodwill (only from purchasing a business – cannot be created)

- Must be externally generated (in most cases)

Research and development

- Always expensed unless the asset is **technologically feasible**
    - Except goodwill, brands, customer lists

Amortisation

- Similar to depreciation
- If there a definite useful life (patents = 20 years, trademarks = 10 years)
- Trademarks and brands are not self-capitalisable – only through purchase

Chapter 10 – Liabilities

- Definition in chapter 1

Types

- Legal
    - Voluntary (contractual)
    - Involuntary
        - Litigation (third party?)
        - Legislation (tax)
- Constructive
    - Actions create an expectation to do something
        - Past practice
        - Public statements
        - Published policy
        - (Provisions)
- Contingent

Provisions & contingent liabilities

- Provision
    - Estimation of a liability
    - Probably obligation (50%+) is good enough
    - (e.g. warranty)

- Contingent
    - Does not meet one of the elements, thus does not get financial disclosure (e.g.)
        - Possible but not probable obligation
        - Unreliable estimate
    - However, presented in footnotes for faithful representation
    -

- Warranty is a liability
    - Past event of promising a warranty at sale
    - Present obligation to repair the good if faulty
    - Future outflow of resources when repair takes place
    - Reliably estimated
    - (within the warranty period)

Wages (these confuse me)

- Employers must deduct pay-as-you-earn tax at source from payments to employees, employer is responsible, pays them to the government
- All wages expense from business point of view
- Breakdown for payables (PAYE, superannuation, Kiwisaver etc.)

Ratios (covered in Acctg101 or above)

- Current ratio
- Acid-test ratio
- Receivables turnover
- Inventory turnover

Bonds (debentures)

- Dafuq.

- Interest-bearing notes payable
- Alternative to issuing shares
    - Shareholder control unaffected
    - Tax savings
    - Leverage (higher EPS)
        - BUT: Must pay interest and repay principal (dividends are optional)

- Bonds: No principal (face-value) repayment until maturity date
    - Only interest and amortisation (positive or negative)

- Investors demand the market interest rate
- In practice, rarely the same as the value printed on the bond (time lag)
- If market interest rate is lower, bonds sold at a premium (more than $1000)
- If market interest rate is higher, bonds sold at a discount (less than $1000)

Bonds and effective interest method

- Calculate the interest expense (debited)
    - Face value of bond × contractual interest rate
- Calculate the interest payable (credited)
    - Market value of bond × market interest rate
- Difference is debited/credits to bonds payable
    - Will be a debit if discount
    - Will be a credit if premium

Bond redemption

- Eliminate the carry amount of bonds at redemption date
- Recognise the cash paid
- Gain or loss on redemption (other income and expenses, affects profit)

Instalment loans (e.g. mortgages)

- Repay loan principal and interest
- Interest payments get less and less over time

Ratios

- Debt to total assets
- Times interest earned
    - Formula = EBIT from **continuing** operations ÷ interest **expense**

Chapter 11 – Equity and comparability

Equity

- Defined in chapter 1

Share capital

- No-par (I don't even know what that means)
- Prospectus for public share issue; private placement rare
- Share issue costs reduce share capital

Preference shares

- "Special" shares
    - Can get cumulative dividends (add up every year)
    - Non-cumulative (dividend 'lost' if not declared and paid)
    - Get preference over ordinary shares in event of liquidation

Treasure shares

- Shares reacquired from shareholders but not retired
    - Given to employees (share bonus plan)
    - Share price will rise (less supply on market)
    - Acquisitions (trade shares)
    - Increase EPS (profit / outstanding shares)
    - Rid the company of disgruntled investors

Dividends

Cash

- Easy and most common
- Pay cash to shareholders out of retained earnings

Share dividends

- Debit Dividends, credit Share dividends distributable
    - Value = Number of shares × % share dividend × market value of share

Share split

- Increase number of shares and decrease share value
- No journal entry or dollar value changes

Disclosure

- Total contributed equity, total reserves
- Statement of changes in equity provides a substantial breakdown

Return on equity

- Ratio
- Formula = NPAT minus preference dividends ÷ average common shareholder's equity

Comparability

Prior period errors

- Correcting journal entry
- Prior period, so income/expenses closed directly to retained earnings/reserves
- Disclose in footnotes
- Correct in previous-year comparing statement in the annual report

Discontinued operations

- Disclose after net profit after tax
- Disclose after tax deducted or added
- Separated into operations and disposal costs

The end. <3

WHAT GOES WHERE IN STATEMENTS?

Statement of comprehensive income

On the face

- On the face
    - Revenue
    - Finance Costs
    - Discontinued operations
    - Income tax
    - Profit
    - Components of other comprehensive income
    - Total comprehensive income
    - Earnings per share

- On the face or in the notes
    - Auditor fees
    - Donations
    - Depreciation
    - Employee benefits
    - Any other material items

Layout

- Gross sales
- Less: Sales returns and allowances
- Less: Sales discounts
- Net sales
    - Less: Cost of goods sold
- Gross profit
- Less: Operating expenses
    - Operating expenses is everything except COGS, losses, comprehensive income, interest and tax
- Less: Other income and expenses
    - Dividends received
    - Bad debts
    - Inventory writedown
    - Cash over and short
- EBIT from continuing operations
- Less: Finance expenses
    - Interest
- Less: Tax expenses
- Profit from continuing operations
- Discontinuing operations
    - Gain or loss from operations, net of tax
    - Gain or loss from disposal, net of tax
- Profit
- Other comprehensive income
    - Revaluation gain
- Total comprehensive income