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

### 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