

David	
" 40 th Portrait of Charles Davis	14 00
18. 41 st Portrait of Mr. Duck, died	
from the old picture in Oregon	10 00
" 42 nd Portrait of Mr. Lewis	
43 rd Portrait of Mr. Harris	20 00
21. 44 th Portrait of Mr. du Hyl	12 00
Oct. 16. 45 th Portrait of George Still	
" 46 th Portrait of Mr. Still	20 00
" 47 th Portrait to be varnished	1 00
16. 48 th Portrait of Mr. Sam Harris	
49 th Portrait of Mr. Harris	20 00
24. 49 th Portrait of Mr. Lewis	
Notes at Port Elizabeth	15 00
26. 50 th Portrait of Miss Caroline	
Black at Port Elizabeth	15 00
27. 51 st Portrait of Mr. Mitchell	
at Port Elizabeth	15 00
29. 52 nd Portrait of Mr. Lewis	
53 rd Portrait of Mr. Lewis	
the same as	0 00
Nov. 27. In New Castle	
of Mr. Harris & Chase	15 00
	15 00
23. 55 th Portrait of Mr. Combs	10 00
Dec. 9. 56 th Portrait of Mr. L. Young	
and a gilt frame	18 00
10. 57 th Portrait of Mr. Geo. Smith	15 00
25. 58 th Portrait of Mr. Young	
with a gilt frame	18 00
1826.	
Jan. 11. 59 th Portrait of Mr. Earle	
60 th Portrait of a little son	
one year old	20 00
18. 61 st Portrait of Mr. Charlotte	
12 th Portrait of a baby (Chase)	20 00
23. 63 rd Portrait of a little daughter	
of Mr. S. Saffron in full length	14 50
Feb. 16. 64 th Portrait of Mr. Clayton	
on (16 by 20)	13 00
23. 65 th Portrait of Mr. B. Lang's	
hands painted	8 00
Mar. 8. 66 th Portrait of Mr. S. S. S.	
on (16 by 20)	15 00
" 67 th Portrait of Mr. S. S. S.	
" 68 th Portrait of little baby	20 00
10. 69 th Portrait of Mr. S. S. S.	
on (16 by 20)	15 00

Lesson 5

Enterprise information: financial accounting

Structure

1. Information subsystem
2. Inventory - Net worth
3. Accounting plan
4. Annual accounts
5. Balance sheet
6. Income statement (Profit and Loss statement)
7. Chart of accounts
8. Accounting cycle
9. Key principles in accounting

1. Information subsystem

- In the day to day company activity there are:
 - Buying raw materials
 - Paying suppliers
 - Selling goods or services
 - Borrowing money from banks
 - Paying salaries
 - etc.
- Lots of operations to record, order and classify to answers questions such as:
 - How much money are in the company bank accounts?
 - How much money does client Y owe?
 - How much worth are the inventories in the warehouse?
 - How much are the company profits?
 - How is the result of the VAT statement in the last quarter?

Financial accounting

- The process of recording, summarizing and reporting a company's business transactions through financial statements, it allows to know company's situation and evolution
- Origin: trade => accounting
- Double accounting technique: XV

Financial accounting II

Company's net worth →
balance sheet

Measured in a given day
(31/12/2022)

Company's result → income
statement

Measured for a given period
(2022)

Accounting provides information to:

- the company: owners, executives, workers
- third parties: suppliers, bank, government

Goals of the accounting system

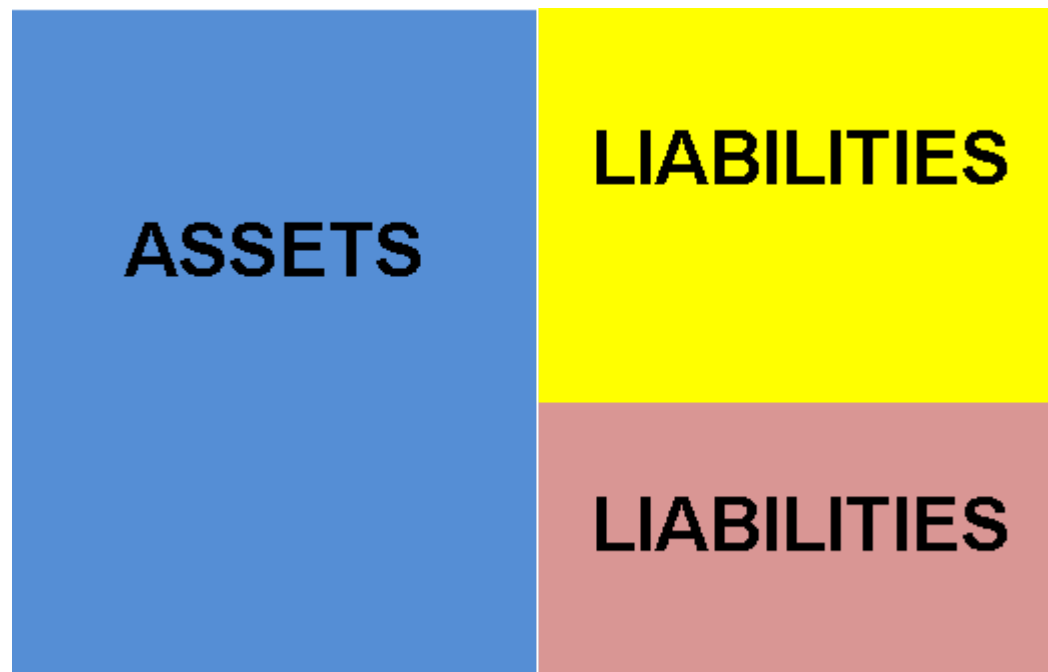
- Records operations
- Reports economic-financial situation
- Measures company's result
- Determines the time and actions that determines company's results
- Reports the efficiency of company's information
- Organizes information in economic years or cycles

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2. Net worth

$$\begin{array}{r} \text{ASSETS VALUE} \\ \text{RIGHTS VALUE} \\ - \text{LIABILITIES VALUE} \\ \hline \text{EQUITY VALUE} \end{array}$$



Exercise 1

A aircraft maintenance company...

- owns a land plot that was purchased by 30,000 €
- owns some machinery that was purchased by 13,200 €
- has raw materials which value is 16,500 €
- owes 22,800 € of loan bank
- has 9,100 € in a bank account
- has some bills payable of 3,150 € (debt with suppliers)
- has 1,500 € in cash

Work out the balance masses

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3. Spanish general accounting plan

- 2007
- Annual accounts:
 - Balance sheet
 - Income statement
 - Statement of changes in equity
 - Statement of cashflows
 - Notes
- Annual accounts:
 - prepared every 12 months
 - expressed in Euros

Definitions in the accounting plan

- Assets: goods, rights and other resources controlled by the company as a result of past events and from which future economic benefits are expected to flow to the company.
- Liabilities: present obligations of the company arising from past events, the settlement of which is expected to result in an outflow of resources from the company embodying future economic benefits. Liabilities shall include provisions
- Equity: the residual interest in the assets of the company after deducting all its liabilities. Equity includes contributions made by equity holders or owners upon incorporation of the company or subsequently that are not considered as liabilities, as well as retained earnings and cumulative losses or other related variations

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4. Annual accounts

- Balance sheet
- Income statement
- Statement of changes in equity
- Statement of cash flows: discloses the origin and use of monetary assets representing cash and cash equivalents
- Notes: complement and expand upon the information provided in the other documents

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5. Balance sheet

- Financial statement that reports assets, liabilities and equity of a company
- The balance sheet comprises assets, liabilities and equity of the company, which shall be disclosed separately
- It provides a snapshot of what a company owns and owes
- Balance -> Equation: $\text{Sum of assets} = \text{Sum of Liabilities} + \text{Equity}$
- Assets: non-current assets and current assets
- Liabilities: non-current liabilities and current liabilities

Balance sheet

A. NON-CURRENT ASSETS	<ul style="list-style-type: none"> I. Intangible assets II. Property, plant and equipment III. Investment property IV. Non-current investments in group companies V. Non-current investments VI. Deferred tax assets 	A. EQUITY	<ul style="list-style-type: none"> I. Capital II. Share premium III. Reserves VII. Profits for the period
B. CURRENT ASSETS	<ul style="list-style-type: none"> I. Non-current assets held for sale II. Inventories III. Trade and other receivables IV. Current investments in group companies V. Current investments VI. Prepayments for current assets VII. Cash and cash equivalents 	B. NON-CURRENT LIABILITIES	<ul style="list-style-type: none"> I. Non-current provisions II. Non-current payables
TOTAL ASSETS (A + B)		C. CURRENT LIABILITIES	<ul style="list-style-type: none"> II. Current provisions III. Current payables V. Trade and other payables
		TOTAL EQUITY AND LIABILITIES (A + B + C)	

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6. Income statement

- Profit and Loss statement (P&L)
- The income statement reflects the profit or loss for the reporting period, comprising income and expenses for the period

A. CONTINUING OPERATIONS

1. Revenue
2. Changes in inventory of finished goods and work in progress
3. Work carried out by the company for assets
4. Supplies
5. Other operation income
6. Personnel expenses
7. Other operating expenses

A1. RESULTS FROM OPERATING ACTIVITIES (1+2+3+4+5+6+7)

12. Finance income
13. Finance expenses

A2. NET FINANCE INCOME (EXPENSES) (12+13)

A3. PROFIT(LOSS) BEFORE INCOME TAX (A1+A2)

17. Income tax expense

A4. PROFIT (LOSS) (A3+17)

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7. Chart of accounts (PGC)

Accounts in balance sheet

Group 1: Basic financing

Group 2: Non-current assets

Group 3: Inventories

Group 4: Trade payables and trade receivables

Group 5: Financial accounts

Accounts in income statement

Group 6: Purchases and expenses

Group 7: Sales and income

Group 8: Expenses recognised in equity

Group 9: Income recognised in equity

Group 1: Basic financing

- Company's equity and long-term third-party financing
- Used to fund non-current assets

Main accounts:

- Share capital
- Reserves
- Profit/loss for the period
- Non-current payables for loans

Group 2: Non-current assets

- Assets to be used over time in the company's activity
- Main accounts:
- 20 Intangible assets
- 21 Property, plant and equipment
- 28 Accumulated amortisation and depreciation

Group 3: Inventories

- 30 Goods for resale
- 31 Raw materials
- 32 Other supplies (components, fuel, spare parts, sundry materials, packaging, etc)
- 33 Work in progress
- 34 Semi-finished goods
- 35 Finished goods
- 36 By-products, waste and recovered materials

Group 4. Trade payables and trade receivables

- 40 Suppliers
- 41 Other payables
- 43 Trade receivables
- 44 Personnel
- 47 Public entities

Group 5. Financial accounts

- 52 Current payables for loans and other
- 57 Cash

Group 6. Purchases and expenses

- 60 Purchases
- 61 Changes in inventories
- 62 External services
- 63 Taxes
- 64 Personnel expenses
- 65 Other expenses
- 66 Finance expenses
- 68 Amortisation and depreciation

Group 7.

- 70 Sales of merchandise
- 71 Changes in inventories
- 76 Finance income
- 77 Gains on non-current assets

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8. Accounting cycle

- Process designed to make the financial accounting of business activities systematic
- Balance sheet shows the financial situation of the company at a given time
- Income statement shows the result, net income, of the company for a given period
- But they are related throughout the accounting cycle
- The accounting cycle usually covers a whole year
- Operations, transactions are recorded in a Journal
- And posted from Journal to an account in the general Ledger
- The ledger allows a bookkeeper to monitor financial positions and statuses by account
- Journal gathers all the operations, transactions
- Ledger gathers the accounts (PGC) and their changes
- Currently the accounting is done by using computers

9. Key principles in accounting

- Accrual principle:
 - Recognise income when it's earned, regardless of when you receive it
 - Recognise expense when you incur them, regardless of when you pay them
- Matching principle:
 - All of the expenses that were incurred to produce the income must be recognized in the period in which the revenue is earned
 - Some expenses that are not actually paid during the period are still subtracted from income to arrive at the net income for the period
- Full disclosure principle:
 - To include in or alongside the financial statements of a business all of the information that may impact a reader's understanding of those statements

Exercise 2

We have the following information of a maintenance company (31/12/N)

- Purchases of spare parts 35,000 €
- The premises were bought for 100,000 € at 01/01/N-2, with a useful life of 20 years and null residual value
- During this year they paid for some maintenance works 4,200 Euros
- The company owes 4,000 € to its suppliers (payables)
- Social security to be paid by the company was worth 5,400 €
- In 01/01/N-2 they obtained a loan for 60,000 € to be repaid in 20 years using the constant repayment method. The installment for this year is 3,125 €, part of this amount is interest and the rest capital repayment
- Customer receivables are 4,100 €

- The company owns a small truck bought at the beginning of year N for 40,000 € with a useful life of 5 years and zero-residual value.
- The sales of finished goods were 110,000 €
- At the end of the year they have 6,000 € in bank accounts
- Electricity bills are 800 €
- Salaries are 30,000 € for the whole year
- The beginning inventory of merchandise was 1,200 € and the end inventory was 3,000 €
- They have a debt with the Tax agency of 2,600 €
- The corporate tax rate is 25%
- From the previous information, build the balance sheet for 31/12/N and the income statement for year N

Exercise 3

On 31/12/2022 we have the following information on company AA:

- They own a storehouse bought on 01/07/2012 for 320,000 Euros, of which 20,000 € was the land plot worth. The storehouse useful life is 30 years
- The sales of finished goods during the year 2022 has been 423,600 €
- They have finished goods stored which value is 5,500 €
- The share capital is 100,000 €
- The bills for water and electricity were 3,500 € and 10,200 €
- They have trade receivables for 18,000 € and supplier payables for 30,000 €
- They own a packaging machine bought on 31/12/2020 with a useful life of 4 years, which accumulated depreciation is 25,000 €
- Repairs and maintenance during the year were 1,800 €

- Bank loan debts are 90,000 €, 15.000 of which to be paid back on 30/06/2023 and remaining amount from June 2024. The interest for 2021 were 4,500 €
- Workers' salaries were 120,000 € and social security charges were 24,000 €
- Purchases of raw materials were 229,500 €
- The reserves are 45,675 €
- At the end of the year 2022 the company has 12,000 € in bank accounts
- The income tax is 25% (assume that it was paid at the end of the year)

Using the previous information:

- Work out the annual depreciation and the accumulated depreciation for each non-current asset
- Build the income statement for 2022
- Build the balance sheet on 31/12/2022

Exercise 4

On 31/12/2021 we have the following information for Company C.

- The purchases of merchandise to be sold later on were 65,000 €
- The sales of merchandise were 120,000 €
- Wages and salaries were 35,000 € and the Social Security charges tallied 6,300 €
- The company uses some computers bought two year ago by 4,800 € with a useful life of 4 years
- Some software was acquired 3 years ago for 3,000 € with a useful life of 6 years
- The business is run in some leased premises, the annual lease was 10,500 €

- The reserves at the end of the year are 1,200 €
- Electricity bills add up 2,300 €
- Debt with banks are 6,000 €, 1,000 € of which should be paid on 15-08-2022 and the rest from 2023. The interests of 2021 were 220 €
- The amount in bank account at the end of the year is 2,830 €
- On 31/12/2021 they have merchandise to sell in the storehouse worth 5,300 €
- Trade receivables are 2,500 € and supplier payables are 1,120 €
- The stock capital is 3,000 €
- From the previous information:
 - Build the income statement for 2021
 - Build the balance sheet on 31/12/2021