# Chapter 2 Financial Statements

• It is a report that presents financial information of a business that is prepared in a systematic and systematic manner at the end of the accounting period.

#### Definition of financial statements

 Means Statement of Financial Position, Statement of Comprehensive Income and Loss, Statement of Changes in Ownership, Statement of Cash Flow. Notes to the Financial Statements

## Purpose of the financial statements

- 1. To provide information on the reporting of financial position. Operating Results and Cash Flow Statement
- 2. To be used for economic decision-making.
- 3. To show the management results of the management team.
- 4. To provide information on assets, liabilities, equity, income, expenses,
- 5. To know the profit and loss.
- 6. To allocate capital
- 7. To analyze the data.

#### Elements of financial statements

- It is divided into 2 types:
- 1. Elements directly related to the measurement of financial position
- 2. Elements directly related to performance measurement

1. Elements directly related to the measurement of financial position

- 1. Assets
- 2. Liabilities
- 3. Owner's Equity)

2. Elements directly related to performance measurement

- 1. Revenue
- 2. Expense

## Components of financial statements

- 1. Statement of Financial Position
- 2. Comprehensive Income Statement
- 3. Statement showing changes in ownership
- 4. Cash Flow Statement
- 5. Notes to the Financial Statements
- 6. Statement of financial position at the beginning of the period for which the comparison is made.

## **Current Assets**

- 1. Cash
- 2. Bank Deposits
- 3. Cash equivalents
- 4. Short-term investments
- 5. Trade receivables
- 6. Receipt Bill
- 7. Inventory



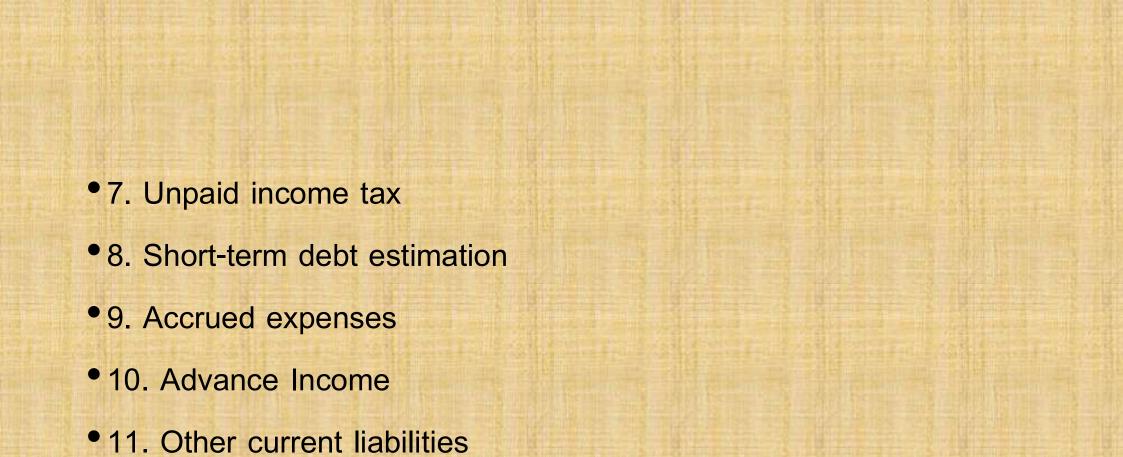
#### Non Current Assets

- 1. Long-term investment
- 2. Long-term loans
- 3. Land
- 4. Buildings and Structures
- 5. Office Supplies
- 6. Decoration and installation
- 7. Equipment
- 8. Vehicles



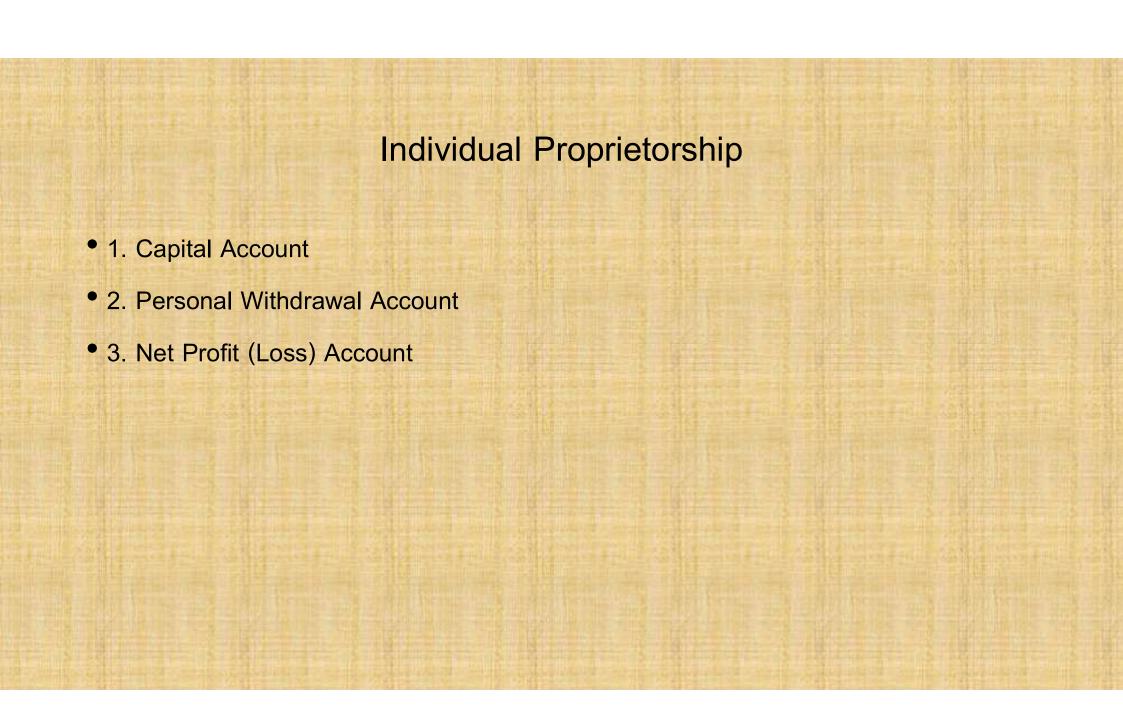
## **Current liabilities**

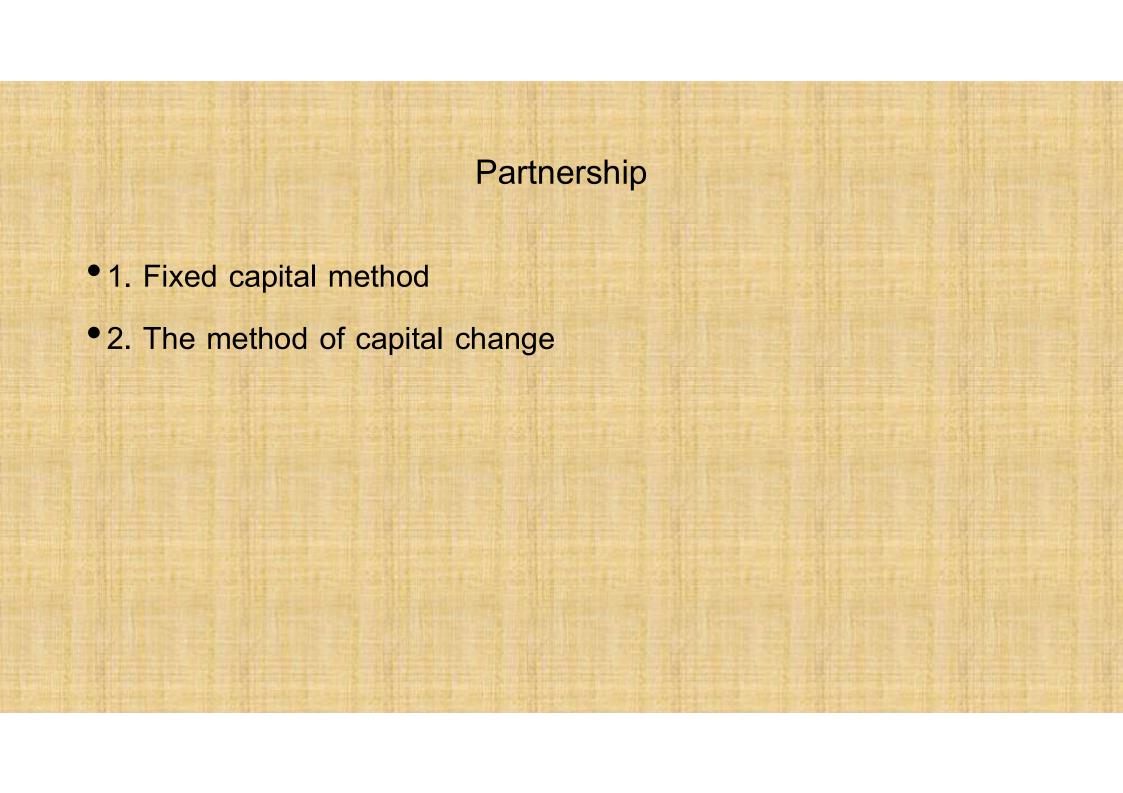
- 1. Bank overdraft
- 2. Trade payables
- 3. Bill of payment
- 4. Short-term bank loans
- 5. Other short-term loans
- 6. Long-term loans that are due within one year

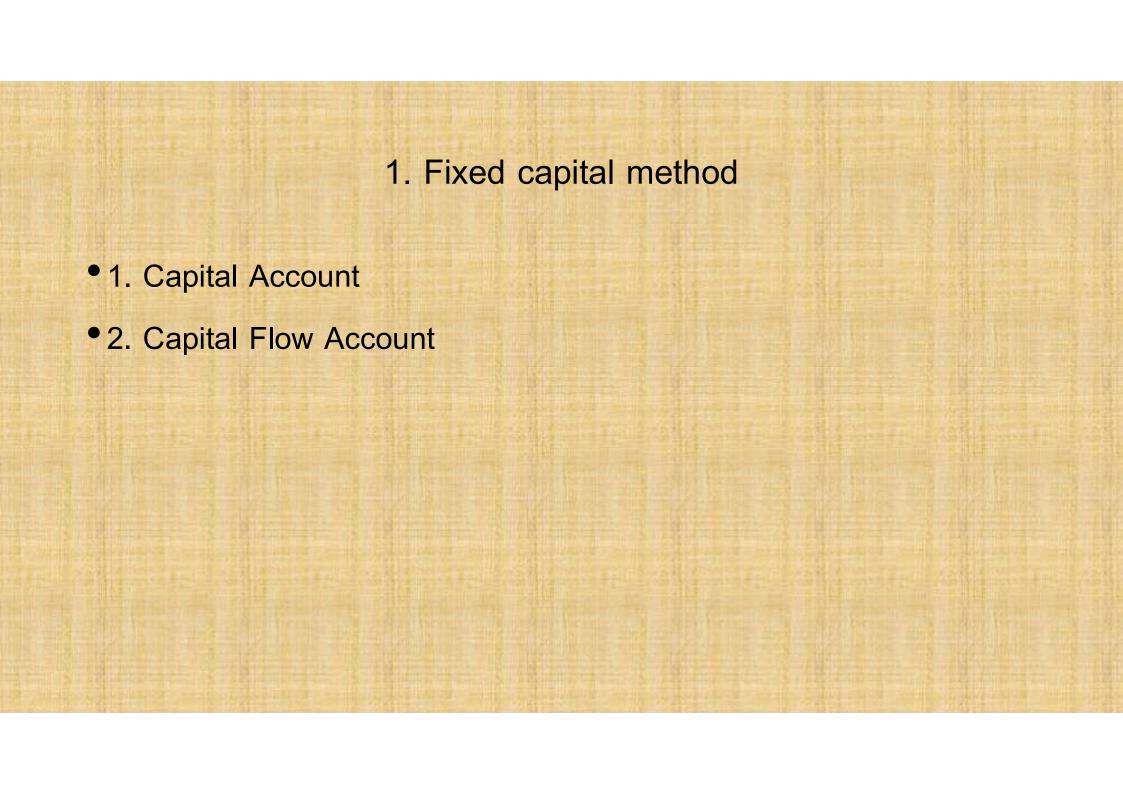


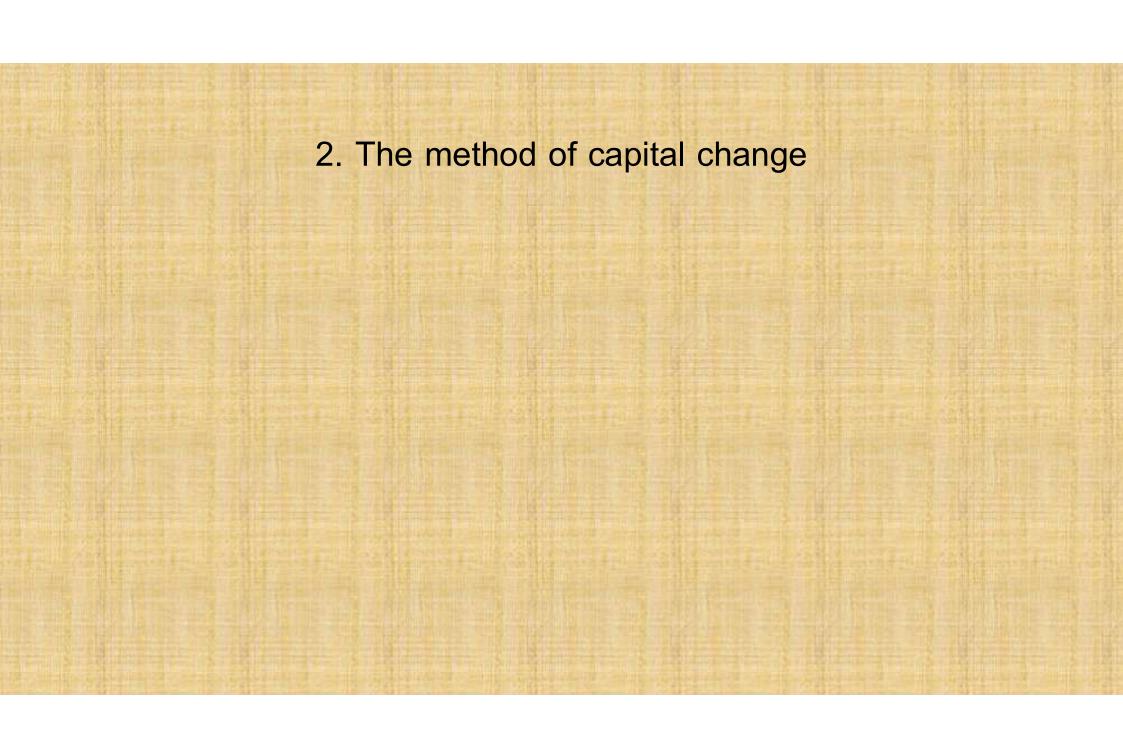
### Non current liabilities

- 1. Long-term bills
- 2. Long-term loans
- 3. Mortgage loans
- 4. Long-term loans without a mortgage
- 5. Deferred income tax liabilities
- 6. Estimate long-term debt without a mortgage
- 7. Debentures
- 8. Other non-current liabilities



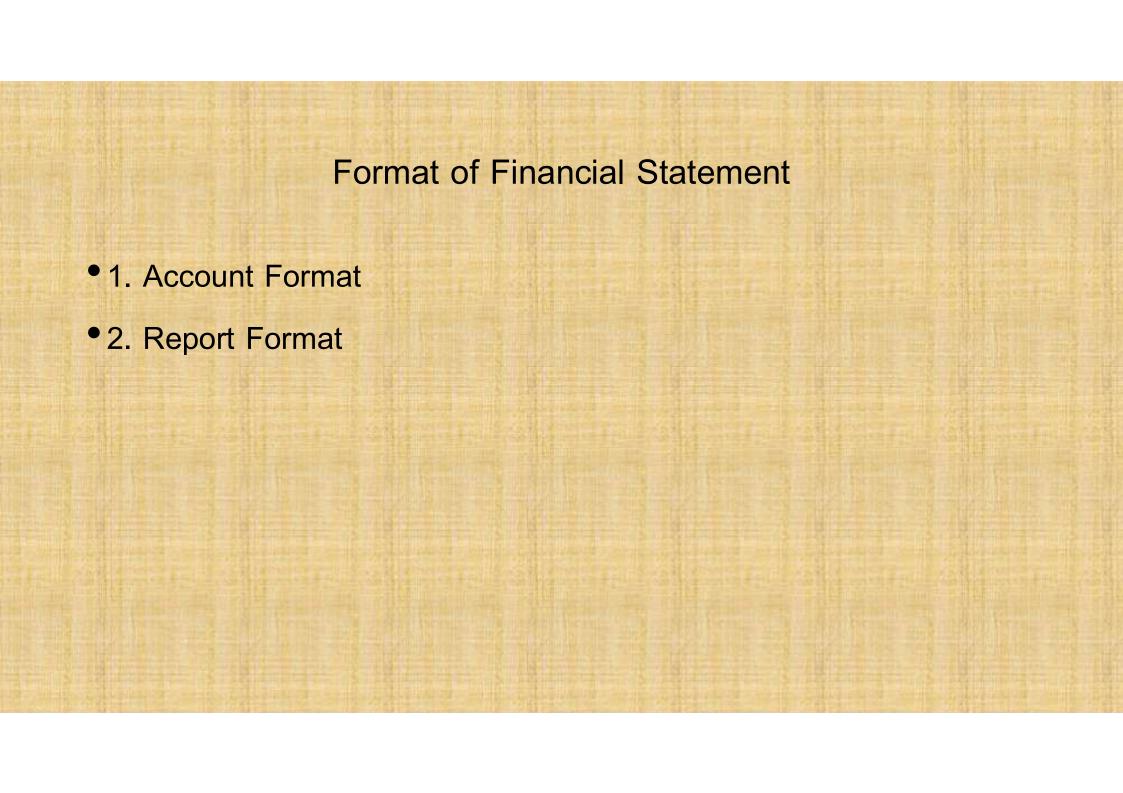


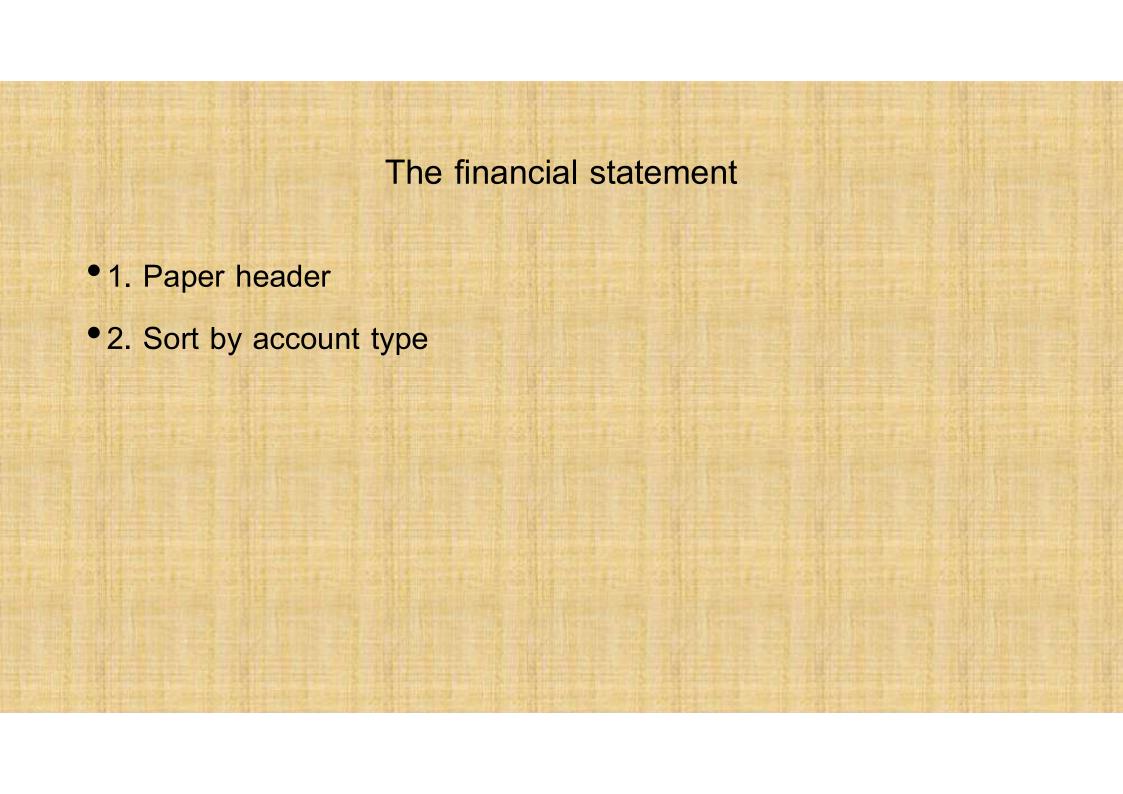




# **Limited Company Affairs**

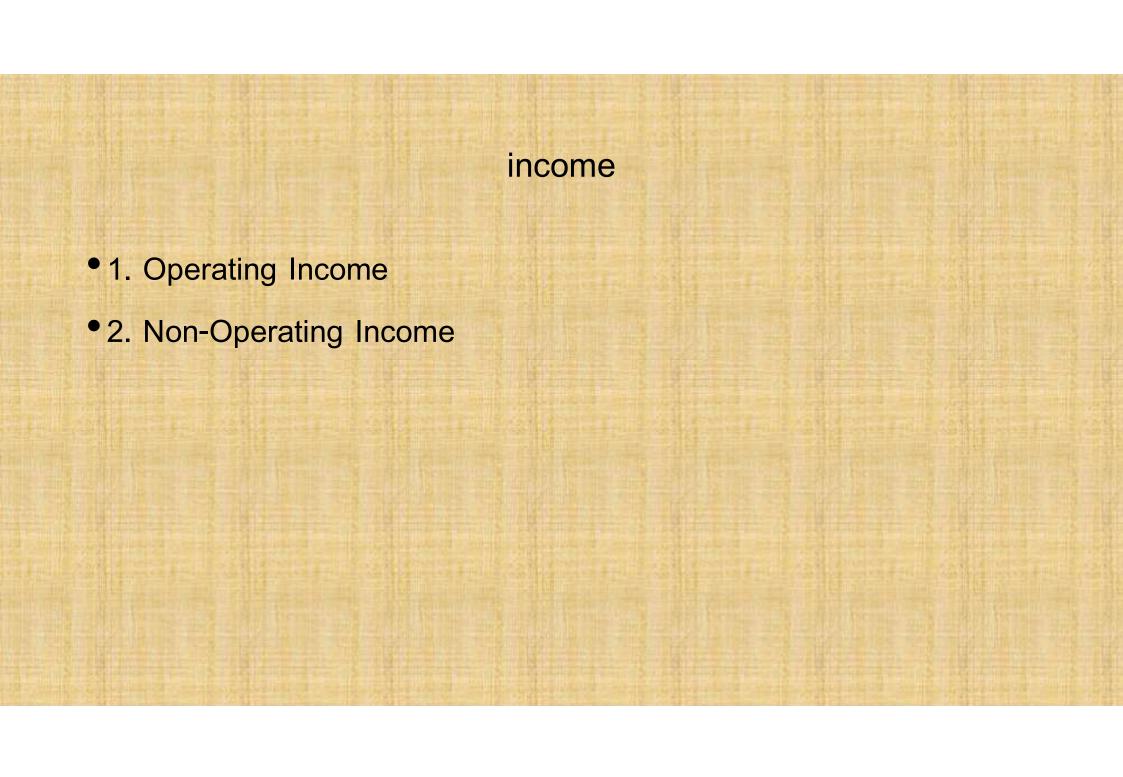
- 1. Share capital
- 2. Excess share value
- 3. Capital surplus
- 4. Retained earnings

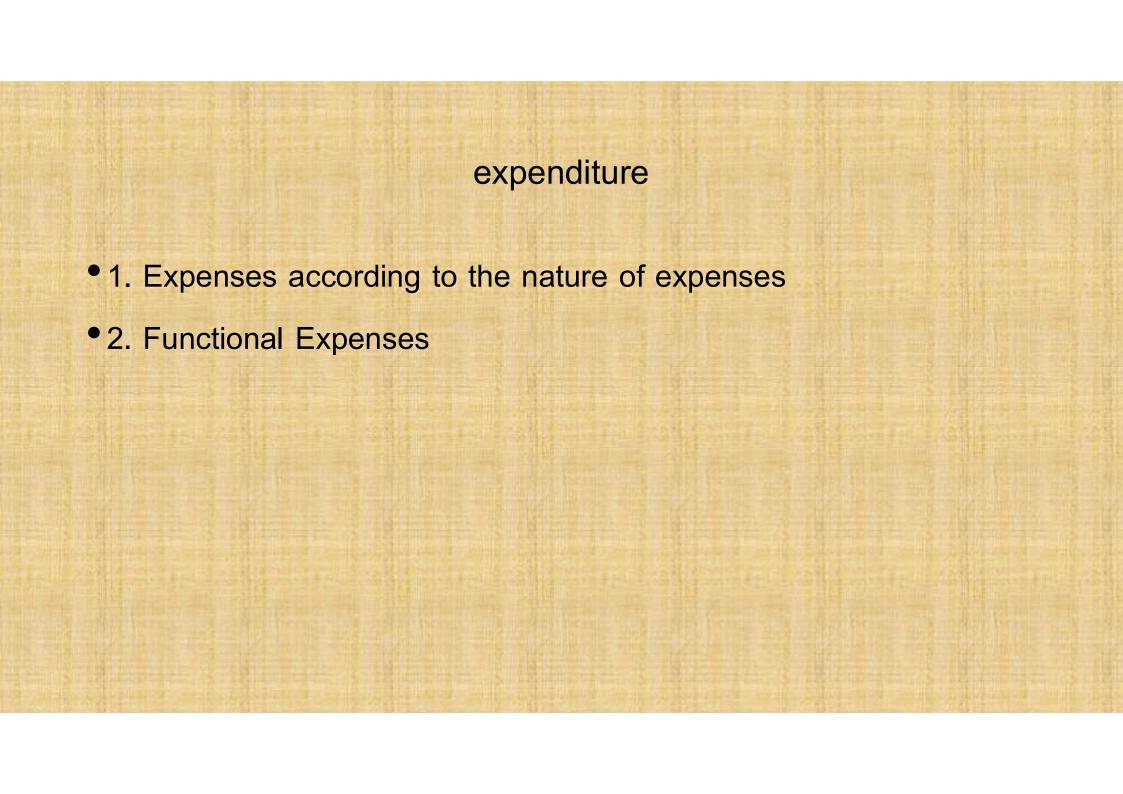






- 1. Revenue
- 2. Cost





The income statement classifies expenses according to the function of expenses.

- 1. Income statement classified as a single expense
- 2. Income statement classifies expenses in several stages.

# Relationship between Income Statement and Statement of Financial Position

 Income Statement Profits increase equity, and losses cause equity to decrease. In the Statement of Financial Position