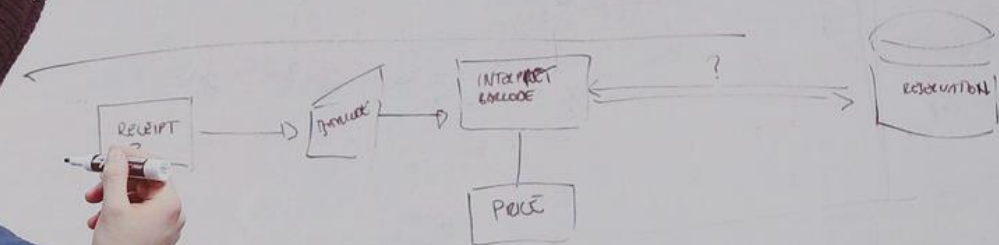
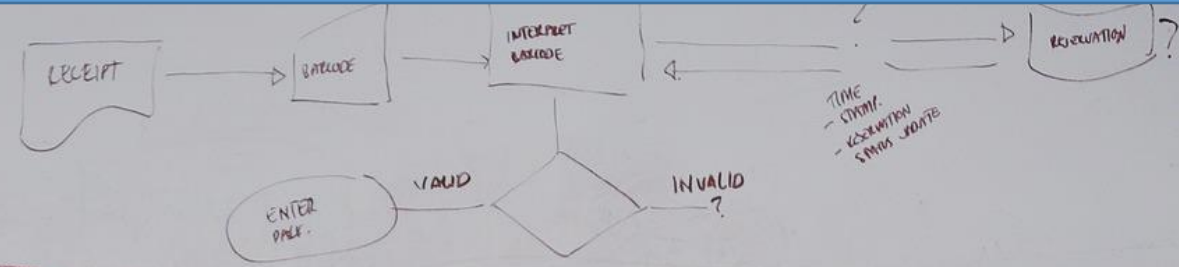


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# Financial statements...



..are types of documents that provide information about the financial health of a business.



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Once the topic is completed and approved, learners will be able to...



**Understand and make a difference between Balance Sheet, Income Statement, Statement of Cash Flow and Statement of Owners' Equity**



*In this lesson, we  
will learn..*

- ✓ What is Balance Sheet?
- ✓ What is Income Statement?
- ✓ What is Statement of Cash Flow?
- ✓ What is Statement of Owners' Equity?



# Balance Sheet



**Total assets = Total liabilities + Total Equity**



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# ASSETS

---

Cash

# ASSETS

---

Cash

Accounts

Receivables



# ASSETS

---

Cash

Accounts

Receivables

Inventory

# ASSETS

**CURRENT**

Cash  
Accounts  
Receivables  
Inventory

# ASSETS

CURRENT

Cash  
Accounts  
Receivables  
Inventory

Improvements

# ASSETS

CURRENT

Cash  
Accounts  
Receivables

Improvements  
Equipment

# ASSETS

CURRENT

Cash  
Accounts  
Receivables

Improvements  
Equipment  
Property

# ASSETS

CURRENT

Cash  
Accounts  
Receivables

LONG-  
TERM

Improvements  
Equipment  
Property

# LIABILITY and EQUITY

---

## Payables

# LIABILITY and EQUITY

---

Payables

Accrued liabilities



# LIABILITY and EQUITY

---

Payables

Accrued liabilities

SHORT-TERM

---

# LIABILITY and EQUITY

---

Payables  
Accrued liabilities

SHORT-TERM

---

Debt

# LIABILITY and EQUITY

---

Payables  
Accrued liabilities

SHORT-TERM

LONG-TERM

Debt

# What bankers can see from your balance sheet?

- Cash
- Working capital



# NET WORKING CAPITAL

---

Working capital – Short-term liabilities

DEBT

---

EQUITY

Profit and  
Loss  
Statement

# Income Statement

Income and  
Expenditure  
Statement



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# What is revenue?

**Net revenues** = Gross revenues - Allowance for doubtful accounts - Reserves for returns





## Structure of Income Statement

$$\begin{array}{r} \text{Revenue} \\ - \\ \text{Cost of Good Sold} \\ = \\ \text{Gross profit} \end{array}$$



# What is the gross profit margin?

**Gross profit margin = Gross profit/Revenue\*100%**



# Operating expenses

Operating expenses are the general costs that are fixed and do not differ depending on sales.

The costs that are usually in this category are:

- Sales
- General
- Administrative



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## What is CAPEX?

Money that an organization spends on the purchase, maintenance, or improvements of its fixed assets, such as buildings, vehicles, equipment, or land.



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# What is the operating profit?

Gross profit

-

Operating expenses

=

Operating profit



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# EBITDA

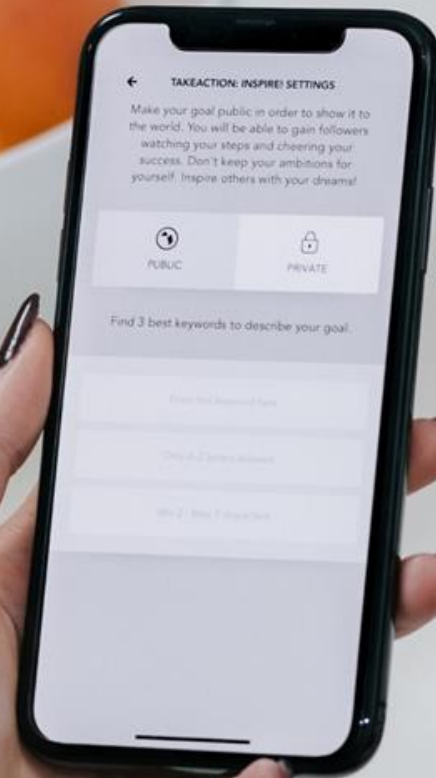
EBITDA = Gross profits - Selling, General and Administrative expenses - Research and development expenses



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# Depreciation and Amortization



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How do investors look at your  
income statement?



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# Investors want to know

- Gross Profit Margin
- Operating Margin
- Net Margin



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# Statement of Owners' Equity

How did you raise the money and who owns the company?

So that's part of your share capital in the balance sheet. This includes the income statement and cash statement which are at the top of the balance sheet, at the top of your company's financial base.



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## *Conclusions*

**The financial statements provide a brief overview of the financial condition of the corporation, providing insight into its performance, operations, and cash flow.**

**Financial statements are essential because they provide information about the company's income, expenses, profitability, and debt.**



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