

Accounting 101



Accounting

- The average accountant makes \$78,000 a year.
- Starting salary averages at \$50,500
- By mid-career, they average at \$68,000
- The top 10% of accountants make \$120,000 a year.
- The demand for accountants is VERY high.
- Accountants need a 4-year Bachelor's degree

Part One

The Accounting Equation

Part One Objectives

- I can recite the accounting equation
- I can define and give examples of assets.
- I can define and give examples of liabilities.
- I can define and give examples of equity.
- Explain the concept of liquidity.
- I can use the accounting equation to calculate assets, liabilities, and equity.

The Accounting Equation

$$\text{Assets} = \text{Liability} + \text{Equity}$$

OR

$$\text{Assets} - \text{Liability} = \text{Equity}$$

Assets

Assets: Things that are resources owned by a company and which have future economic value that can be measured and can be expressed in dollars.

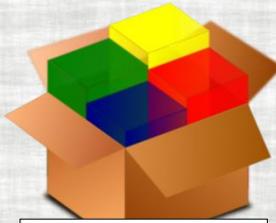
For Example:



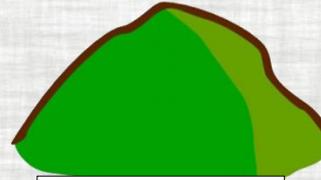
Cash



Acct.Receivable



Inventory



Land



Vehicles

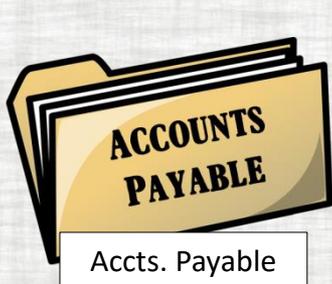


Investments

Liability

Liability: Obligations of a company or organization. Amounts owed to lenders and suppliers. In other words—Debt.

For Example:



Equity

Equity: Capital amassed by the company after all liabilities are subtracted. Equity can be liquidated into cash.

For Example:



Original Owner
Investment



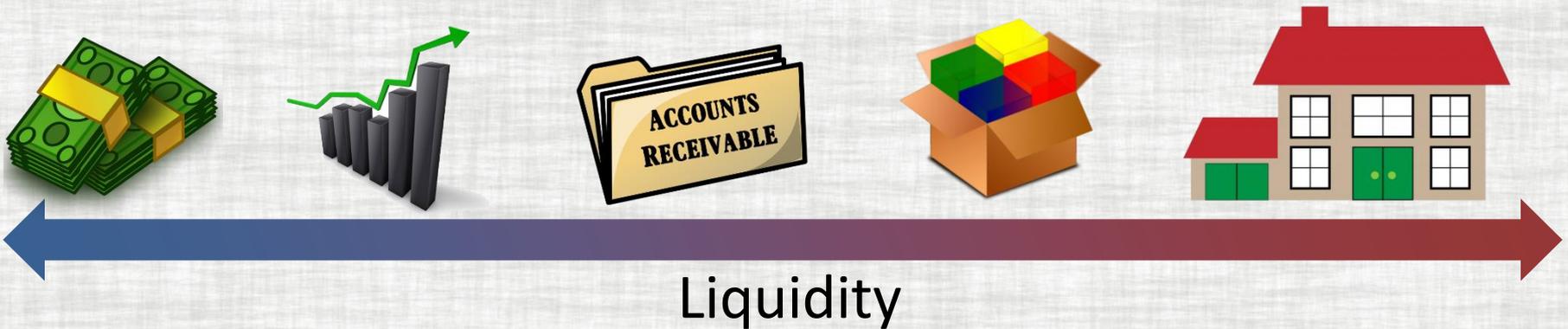
Stocks



Profits

Liquidity

Liquidity: a company's ability to pay its bills from cash, or from assets that can be turned into cash very quickly—the speed at which an asset can become cash.



Part 1 Assignment – Equation

Directions:

1. Open the Accounting Booklet in Excel.
2. Press the “Enable Macros” button, and then press ok with the next prompt.
3. Enter your name and period
4. Save the Document in your own files.
5. Click on Part 1

Part 1 Assignment – Equation

The Accounting Equation

1. Solve each of the equations, using the Accounting Equation.
2. Make sure to solve it algebraically:
 1. =B6-C6.
 2. NOT: =800-300 or just 500.
3. Make sure you have scored all possible points.

Part Two

The Balance Sheet

Part Two Objectives

- I can explain what a balance sheet is
- I can explain the main rule of a balance sheet
- I can apply to accounting equation to a balance sheet

Balance Sheet

Balance Sheet: A financial statement that summarizes a company's assets, liabilities and shareholder's equity at a specific point in time. The left and right sides of the sheet must always balance.

What we owe – Liability

What we have – Assets

What we're worth - Equity



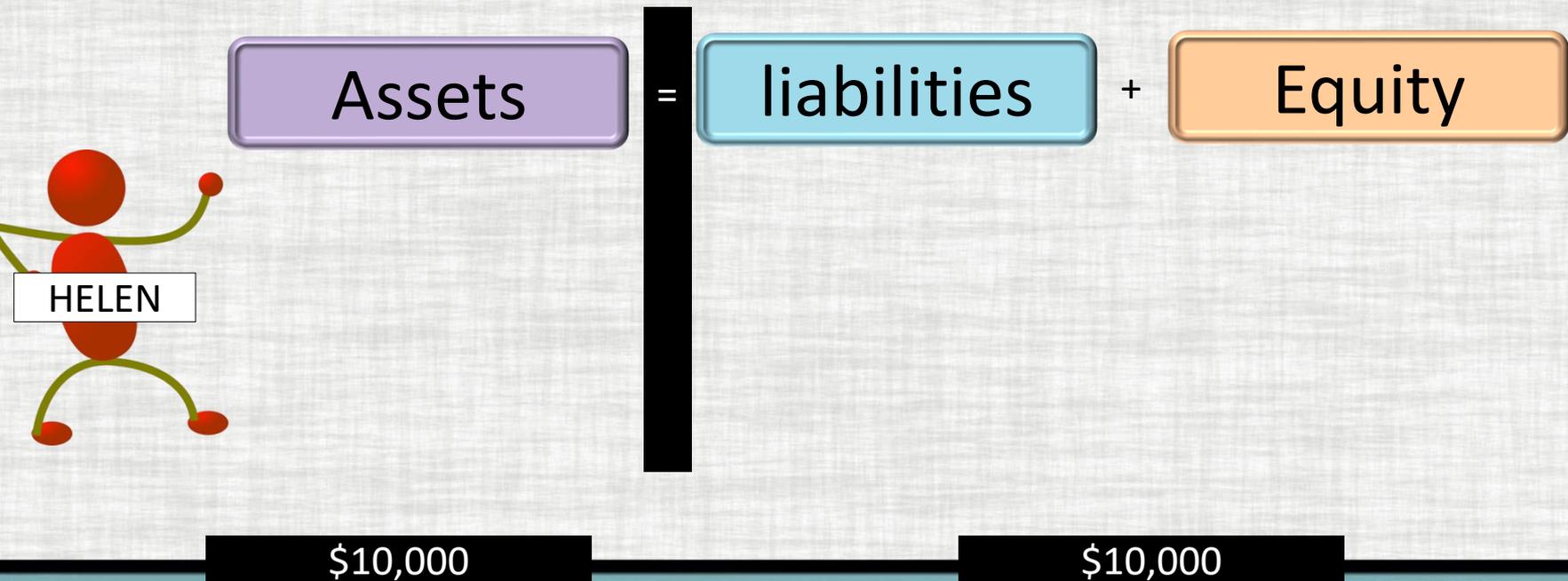
Balance Sheet



Balance Sheet

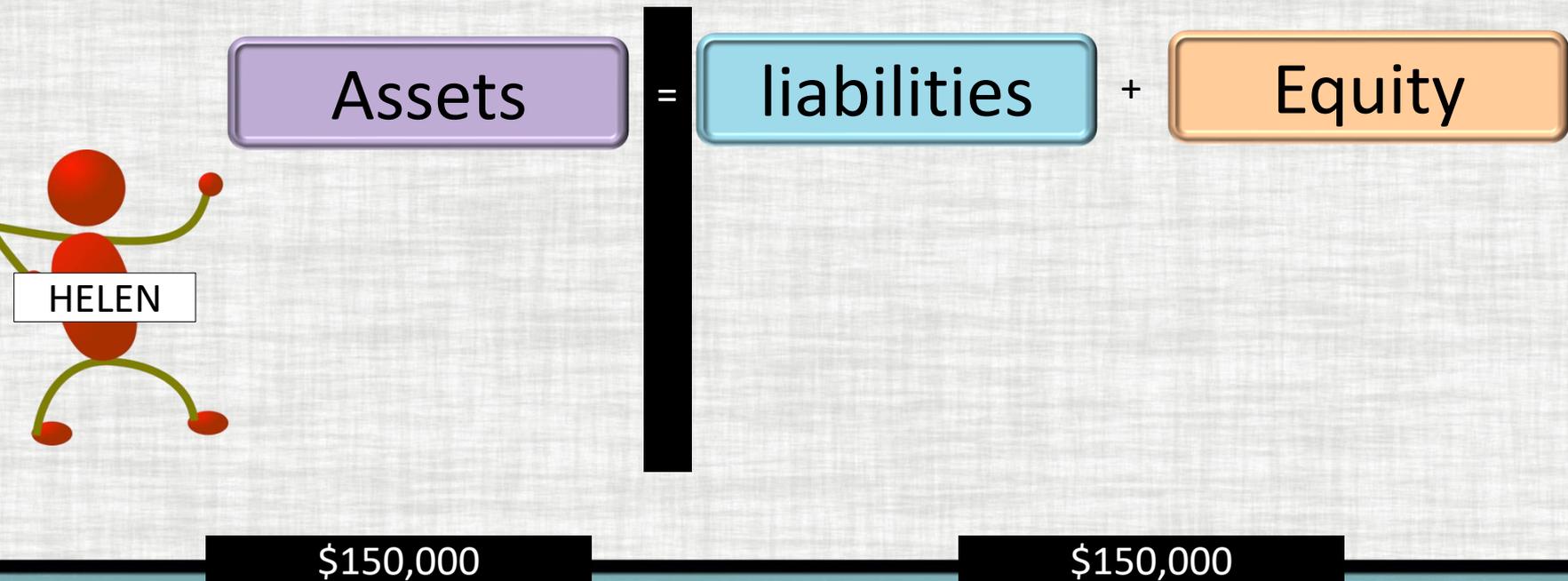
Equation Examples

- Helen wants to go to college. She borrows \$10,000 from her parents to pay for her first year of school.
- Helen has \$10,000 in cash now, which is an asset.
- But she also has a liability of \$10,000 as a loan to her parents.
- She has no equity—her liabilities and assets are equal.



Equation Examples

- 6 years later Helen has finished school and has been working in her career. Helen has paid off all her loans and doesn't owe ANYONE any money. She has 0 liabilities.
- Helen has \$150,000 in cash. This is an asset.
- But it is also her total equity because she has no liabilities. Her liabilities (0) + her equity (\$150,000) = her total assets - \$150,000



Equation Examples

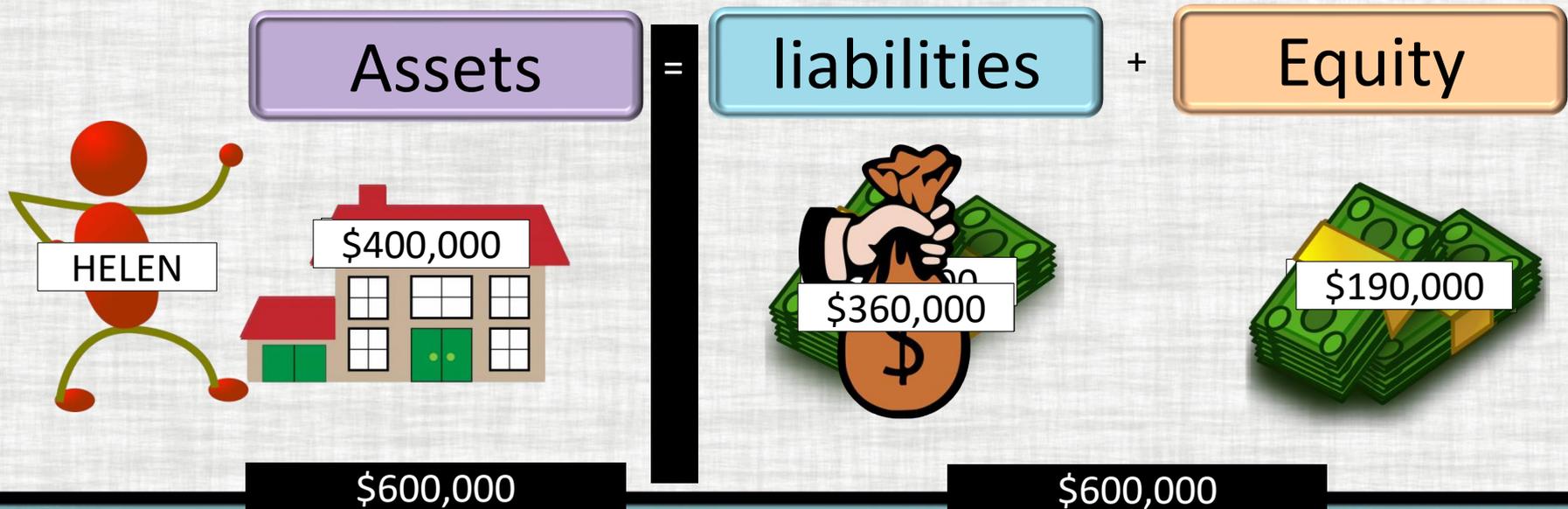


- Helen wants to buy a house for \$350,000.
- Helen puts up her \$150,000 as a down payment on the house.
- The bank gives her \$200,000 as a loan for her house.
- Helen still has \$150,000 of equity, because that is what she has left over after she subtracts her liabilities from her assets.



Equation Examples

- Ten years later, Helen is ready to sell her house and buy another one. She still has the \$150,000 in equity.
- From her original loan of \$200,000, she still owes \$160,000, which gives her \$40,000 in added equity in her home. Her equity is now \$190,000.
- She sells her house for \$400,000. After paying off her bank loan of \$160,000, she has \$240,000 in equity.
- Helen buys a house for \$600,000.
- She puts in her \$240,000 from the sale of her house as a down payment. The rest she gets from the bank.
- Because her house is worth \$600,000 and she owes the bank \$360,000, her equity is still \$240,000—it's just no longer cash. It's been converted to a house.



4.71 ↓ 0.19(3.88%) 4:00PM EDT

After Hours : 4.71 0.00 (0.00%) 4:25PM EDT

Balance SheetGet Balance Sheet for: GO

View: Annual Data | Quarterly Data

All numbers in thousands

Period Ending	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Assets			
Current Assets			
Cash And Cash Equivalents	8,622	52,351	5,404
Short Term Investments	-	-	-
Net Receivables	6,300	3,888	418
Inventory	-	-	-
Other Current Assets	161	66	60
Total Current Assets	15,083	56,305	5,883
Long Term Investments	-	-	-
Property Plant and Equipment	152,558	55,418	22,631
Goodwill	-	-	-
Intangible Assets	-	-	-
Accumulated Amortization	-	-	-
Other Assets	-	-	-
Deferred Long Term Asset Charges	-	-	-
Total Assets	167,641	111,723	28,513
Liabilities			
Current Liabilities			
Accounts Payable	16,263	7,232	1,191
Short/Current Long Term Debt	-	-	-
Other Current Liabilities	-	-	-
Total Current Liabilities	16,263	7,232	1,191
Long Term Debt	-	-	-
Other Liabilities	3,896	1,182	496
Deferred Long Term Liability Charges	4,939	704	626
Minority Interest	-	-	-
Negative Goodwill	-	-	-
Total Liabilities	25,099	9,118	2,314
Stockholders' Equity			
Misc Stocks Options Warrants	-	-	-
Redeemable Preferred Stock	-	-	-
Preferred Stock	-	-	-
Common Stock	26	24	14
Retained Earnings	1,984	(6,436)	(5,984)
Treasury Stock	-	-	-
Capital Surplus	140,532	109,018	32,169
Other Stockholder Equity	-	-	-
Total Stockholder Equity	142,543	102,606	26,200
Net Tangible Assets	142,543	102,606	26,200

Companies are required quarterly to release their balance sheets to the public.



Is It Balanced?

$$\text{Assets} = \text{Liability} + \text{Equity}$$

Part 2 Assignment – Balance Sheet

Balance Sheet

1. Open Part 2 in your booklet.
2. Using the Autosum feature, add together  assets, liabilities, and equity.
3. Use the accounting equation to figure out the net tangible assets for both companies.
4. If the numbers are balanced, it is correct.
5. Make sure you have scored all possible points.

Part Three

The Income Statement

Part Three Objectives

- I can explain what an income statement is
- I can explain the difference between revenue and expenses.
- I can identify the parts of an income statement

Income Statement

Income Statement: A financial statement that measures a company's financial performance over a specific accounting period. Revenues vs. Expenses.

What we earned – Revenue

What we spent – Expenses



Income Statement

78.23 ↑ 0.68 (0.88%) 4:02PM EDT

After Hours : 78.25 ↑ 0.02 (0.03%) 7:55PM EDT

Income Statement

Get Income Statement for: GO

View: [Annual Data](#) | [Quarterly Data](#)

All numbers in thousands

Period Ending	Dec 26, 2015	Dec 27, 2014	Dec 28, 2013
Total Revenue	13,105,000	13,279,000	13,084,000
Cost of Revenue	9,359,000	9,682,000	9,501,000
Gross Profit	3,746,000	3,597,000	3,583,000
Operating Expenses			
Research Development	-	-	-
Selling General and Administrative	1,746,000	1,505,000	1,454,000
Non Recurring	79,000	535,000	331,000
Others	-	-	-
Total Operating Expenses	-	-	-
Operating Income or Loss	1,921,000	1,557,000	1,798,000
Income from Continuing Operations			
Total Other Income/Expenses Net	-	-	-
Earnings Before Interest And Taxes	1,921,000	1,557,000	1,798,000
Interest Expense	134,000	130,000	247,000
Income Before Tax	1,787,000	1,427,000	1,551,000
Income Tax Expense	489,000	406,000	487,000
Minority Interest	(5,000)	30,000	27,000
Net Income From Continuing Ops	1,293,000	1,051,000	1,091,000
Non-recurring Events			
Discontinued Operations	-	-	-
Extraordinary Items	-	-	-
Effect Of Accounting Changes	-	-	-
Other Items	-	-	-
Net Income	1,293,000	1,051,000	1,091,000
Preferred Stock And Other Adjustments	-	-	-
Net Income Applicable To Common Shares	1,293,000	1,051,000	1,091,000

Companies are required quarterly to release their balance sheets to the public.

Has the company's Net Worth increased?

Part 3 Assignment – Income Statement

Income Statement

1. Open Part 2 in your booklet.
2. Using the Autosum feature, add together revenue vs. expenses. 
3. Figure out the Net Income/Loss for the company.
4. Do this for all 4 companies
5. Make sure you have scored all possible points.

Part Four

Personal Budget

Part Four Objectives

- I can explain what a budget is
- I can define income and expenses
- I can differentiate between the two types of expenses—fixed and variable.
- I can differentiate between budgets and income statements
- I can create a budget with a positive balance.

What is a Budget?

Budget: An estimate of the cost, revenues, and resources over a specified period, reflecting a reading of future financial conditions and goals.

Budgets are often prepared IN ADVANCE, and can be a goal rather than a statement of what has already occurred.

INCOME

EXPENSES

Basic Budget

- The basic concept is subtracting your EXPENSES from your INCOME.
- Further, budgets should be planned in advance—planning on how much you will spend on each item before you spend it.
- Expenses are divided into:

Fixed

Costs that do not fluctuate.

Variable

Costs that vary depending on various factors.

Fixed & Variable Examples

Fixed	Variable
Personal Budget	
Mortgage	Groceries
Car Payment	Debt Payments
Insurance	Gas
	Utilities

Fixed	Variable
Business Budget	
Rent	Commissions
Advertising	Direct Materials
Insurance	Inventory
Office Supplies	

Part 4 Assignment – Personal Budget

Directions:

1. Open the Accounting Booklet in Excel.
2. Press the “Enable Macros” button, and then press ok with the next prompt.
3. Enter your name and period
4. Save the Document in your own files.
5. Click on Part 1

Part 4 Assignment – Personal Budget

INCOME:

6. Press the “**Occupation Roll**” button only once.
7. In C5, divide the yearly income you rolled by 12 to get your **monthly income**.
8. In C7, multiply your monthly income by 15%, or .15 to figure your **taxes**. Make the number a negative.
9. In C8, enter -\$400 for **insurance**.
10. In C9, figure your new **monthly income** adding all the numbers together. =SUM(C5:C8)

Part 4 Assignment – Personal Budget

EXPENSES:

11. Your house and car payment are for the house and car pictured. In C15, multiply your car payment by 30% to get your **insurance**.
12. In C18, figure your **utilities** by multiplying your house payment by 20%.
13. In C26, enter AT LEAST the minimum payment for your **student loans**. But it is better to pay more.
14. In C27, enter AT LEAST the minimum payment for your **credit cards**. But paying the minimum only will ensure that you NEVER pay it off!

Part 4 Assignment – Personal Budget

INCOME:

14. In C28, you may choose to enter an amount to put in savings.
15. In C29, you may choose to enter an amount.
16. In C30, add all your expenses together.
`=sum(C13:C29)`
17. In C31, calculate your **net profit** by subtracting your expenses from your net monthly income.
18. If you are insolvent, make some changes—a cheaper house or car, get rid of cable, etc.