

FINANCIAL REPORTING FOR ASSOCIATES

Most associates have completed graduate level financial accounting classes and/or mastered many financial accounting concepts through professional practice. However, most associates still need guidance in applying these financial accounting skills to real financial statements.

This seminar teaches participants mastery of financial reporting using real financial statement information, including footnote disclosure. This seminar's focus is financial reporting from the viewpoint of the user of corporate financial statements.

As part of the prework for the seminar, the participants review Financial Statement Development and Financial Statement Interrelationships. Financial Statement Interrelationship are the linkages between the income statement, balance sheet, statement of cash flow, reconciliation of owner's equity and comprehensive income with each relevant footnote.

We teach the interrelationships through the use of journal entries and T-Accounts through the application of real financial statements. Participants learn to understand every row on the income statement, balance sheet, statement of cash flow, reconciliation of equity and comprehensive income and learn to use the footnote disclosure for each of these items.

In addition they learn to understand and analyze the main operating, investing and financing activities.

PREWORK

The required time to complete the prework varies considerably depending upon previous education and its effectiveness. We provide the following guideline for the amount of time for self-study based upon the participants understanding of financial statement reporting.

Financial Statement Reporting Mastery	Approximate Hours of Prework Study	Description of relevant education and/or experience
Limited	120 hours	One graduate level financial reporting class
Average	80 hours	Two graduate level financial reporting classes
Good	60 hours	Three graduate level financial reporting classes and relevant work experience
Strong	15 hours	More than three graduate level financial reporting classes and significant professional work experience in finance and/or accounting

1 Review of the Framework of financial accounting

We introduce the framework for reporting business activities. We review the precourse assignments, which are intended to impart accounting language to the participants and gain some appreciation of the use of some accounting terminology. We review:

- Revenues and Expenses
- Assets, Liabilities and Owner's Equity

2 Review of the accounting principles that create a balance sheet and income statement

We highlight and illustrate the following broad accounting principles that create the balance sheet.

- Historic Cost
- Lower of Cost or Market
- Dual Entry Accounting and the Balance Sheet Equation
- Materiality, Going Concern, Monetary Measure

- Accrual Accounting [realization], with an understanding of revenue
- Matching Principle [when it is applied, the constraint of conservatism, and the related balance sheet impact], with an understanding of the differences between product and period costs

3 Financial Statement Interrelationships, connecting the income statement with the balance sheet and the statement of cash flows

We build on the first three topics and we teach the participants to be able to explain the interrelationships of the basic financial statements both in whole and for any part, and be able, for any figure in the financial statements, to relate it to the cash flow effects and connect it with the relevant footnote disclosure.

SESSION 3

During session 3, we focus on the operating section of the three financial statements: Income Statement , Balance Sheet and the Statement of Cash Flows.

1 Operating Activities – Financial Reporting

A. CASH INFLOWS / REVENUES / RECEIVABLES

We focus on revenues, accounts receivables, unearned revenue, allowances for receivbles and the respective rows on the Statement of Cash Flow which link accrual accounting with cash flows. Participants learn to:

- ❑ Understand the application of Revenue Recognition Rules to the Income Statement and the Related Balance Sheet Impacts
- ❑ Understand the provisions for doubtful receivables
- ❑ Comprehend Securitization and the impacts on the balance sheet, income statement and the statement of cash flows
- ❑ Appreciate how revenue, bad debts and securitization is reflected in the Statement of Cash Flows

2 Operating Activities – Financial Reporting

B. CASH OUTFLOWS/ COST OF SALES/ INVENTORY AND PAYABLES

We focus on the operating section of the three financial statements: Income Statement, Balance Sheet and the Statement of Cash Flows.

- ❑ Understand the application of Product Costs and the relationship with revenue
- ❑ Master the related Balance Sheet Accounts as they relate to Cost of Sales
- ❑ Understand product costs versus period costs
- ❑ Understand the impact of depreciation on cost of sales
- ❑ Understand various definitions of EBITDA and Operating Profit and the Connection to Operating Cash Flows
- ❑ Understand Operating Assets and Operating Liabilities

3 Operating Activities – Financial Reporting

C. CASH OUTFLOWS/ PERIOD COSTS/ PREPAIDS and ACCRUALS

D. CASH OUTFLOWS/ TAX/ TAX PAYABLE AND DEFERRED TAXES

We focus on the operating section of the three financial statements: Income Statement, Balance Sheet and the Statement of Cash Flows.

- Understand Period Costs, including:
 - R&D, Advertising, Amortization of Intangibles
- Understand Pension Costs
- Understand Interest Expense
 - Gross vs. Net Interest
 - Capitalized Interest
 - Interest Paid on the Statement of Cash Flow
- Understand Tax Expense
 - Current and Deferred Tax
 - Deferred Tax on the Balance Sheet and the Statement of Cash Flow
 - Tax Expense and Income Tax Paid

SESSION 4

During session 4, we finish the operating section of the three financial statements: Income Statement, Balance Sheet and the Statement of Cash Flows.

Equity Income, Minority Interest and Items below the line are introduced in the prework and sessions 1 -3 and here we emphasize the application with the financial statements of Pfizer, Viacom, and Kimberly-Clark.

1 Operating Activities – Financial Reporting

We continue to focus on the operating section of the three financial statements: Income Statement, Balance Sheet and the Statement of Cash Flows.

- Equity Income
 - How it is reflected on the income statement, balance sheet and the statement of cash flow
- Minority Interest
 - How it is reflected on the income statement, balance sheet and the statement of cash flow
- Understand Unusual Items
 - Unusual Gains and Losses on the Income Statement and the Statement of Cash Flow
- Income Statement Items Below the Line:
 - Discontinued Operations
 - Extraordinary Items
 - Changes in Accounting

1 Investing Activities – Financial Reporting

We focus on the following investing activities

- Purchase and Sale of Fixed Assets
 - Depreciation Expense, Accumulated Depreciation and the Impacts on the Statement of Cash Flow
- M&A [FAS 141 & 142]
 - Goodwill and Intangibles
 - Finite vs. Indefinite Lived Assets
 - Proforma Information
 - Impairment Test
- Purchase and Sale of Securities and Investments
 - Subsidiaries and Consolidations
 - FIN 46

1 Financing Activities – Financial Reporting

We focus on the following financing activities:

- ❑ Issuance and Redemption of Debt
 - Reading the Short term and Long Term Debt Footnotes
 - Convertible Debt
 - Discount Debt
- ❑ Issuance and Repurchase of Stock
- ❑ Options and Warrants
- ❑ EPS
- ❑ Dividends
 - Cash Dividends and Stock Splits and Stock Dividends
- ❑ Reconciliation of All Equity Accounts
- ❑ Minority Interest
- ❑ Leasing
- ❑ Other Comprehensive Income
- ❑ FAS 150

2 Reading Financial Statements

We focus on reading and understanding complete financial statements.

The participants review the entire seminar content with over 100 questions and solution notes relating to the following financial statements:

- Maytag
- Andrew
- CORE
- Pactiv