

## HOW TO READ FINANCIAL STATEMENTS IN THE USA

The basic financial statements presentation in the U.S. consists of the following:

- The Balance Sheet
- The Statement of Cash Flows
- The Income Statement (Statement of Comprehensive Income)
- The notes to the financial statements
- The Statement of Retained Earnings and Stockholders' Equity

**Sample Company  
BALANCE SHEET  
As of December 31, 201X**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents  
Investments  
Accounts receivable  
Inventory  
Employee advances  
Prepaid insurance and other expenses  
Current portion of loans receivable  
Deferred tax asset, current  
Other current assets  
Total Current Assets

\_\_\_\_\_

\$

**PROPERTY AND EQUIPMENT:**

Land  
Buildings and improvements  
Furniture and fixtures  
Office equipment  
Machinery and equipment  
Autos and trucks  
Software  
Leasehold improvements

\_\_\_\_\_

\$

Less accumulated depreciation

\_\_\_\_\_

\$

**OTHER ASSETS:**

Loans receivable, net of current portion  
Deposits  
Cash surrender value of life insurance  
Other assets  
Deferred tax asset, noncurrent  
Goodwill

\_\_\_\_\_

\$

**TOTAL ASSETS**

\_\_\_\_\_

\$

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**CURRENT LIABILITIES:**

Line of credit	
Current portion of long-term debt	
Current portion of capital lease obligations	
Accounts payable	
Accrued compensation	
Deferred revenue	
Related party payable	
Deferred tax liability, current	
Other current liabilities	_____
<b>Total Current Liabilities</b>	<b>\$ _____</b>

**LONG TERM LIABILITIES:**

Long-term debt, less current portion
Capital lease obligations, less current portion
Deferred tax liability, non-current

**STOCKHOLDERS' EQUITY:**

Common stock, \$XX par value, # shares authorized, # shares issued, # of shares outstanding	
Additional paid-in capital	
Retained earnings	
Accumulated other comprehensive income (loss)	_____
<b>Total Retained Earnings and Accumulated Other     Comprehensive Income (Loss)</b>	<b>_____</b>
Treasure stock, # of shares, at cost	_____
<b>Total Stockholders' Equity</b>	<b>\$ _____</b>

<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ _____</b>
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**INCOME STATEMENT**  
**December 31, 201X**

**SALES**

**COSTS OF SALES**

**GROSS PROFIT**

\_\_\_\_\_

\$

**OPERATING EXPENSES**

- Advertising
- Bad debt
- Bonuses
- Contract fees
- Depreciation and amortization
- Dues and subscriptions
- Employee benefits
- Equipment rental
- Insurance
- Materials and supplies
- Meals and entertainment
- Miscellaneous
- Office expenses
- Payroll and payroll taxes
- Professional fees
- Property and other taxes
- Repairs and maintenance
- Utilities

**Total Operating Expenses**

\_\_\_\_\_

\$

**OPERATING INCOME**

\_\_\_\_\_

\$

**OTHER INCOME (EXPENSE)**

- Interest and dividend income
- Rental and other income
- Interest expense
- Realized/unrealized gain (loss) on investments
- Gain (loss) on disposal of property and equipment
- Net Other Income (Expense)**

\_\_\_\_\_

\$

**INCOME TAXES EXPENSE (BENEFIT)**

\_\_\_\_\_

**NET INCOME (LOSS)**

\_\_\_\_\_

\$

**OTHER COMPREHENSIVE INCOME (LOSS)**

- Net unrealized investment gain (loss), net of tax
- Foreign currency translation, net of tax
- Total other comprehensive income (loss)**

\_\_\_\_\_

**TOTAL COMPREHENSIVE INCOME (LOSS)**

\_\_\_\_\_

\$

**STATEMENT OF RETAINED EARNING AND STOCKHOLDERS' EQUITY**  
**December 31, 201X**

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasur y Stock	Total
Balance at December 31, 201X						
Net Income (Loss)						
Issuance of common stock						
Dividends						
Total Comprehensive income (loss)						
Treasury Stock Purchase						
Balance at December 31, 201X	\$	\$	\$		\$	\$

**STATEMENT OF CASH FLOWS**  
**December 31, 201X**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income (loss)
Adjustments to reconcile net income(loss) to net cash provided by (used in) operating activities:
Depreciation and amortization
Provision for doubtful accounts
Unrealized (gain) loss on investments
(Gain) loss on sale of property and equipment
Foreign currency translation adjustment
Deferred taxes on income
(Increase) decrease in cash surrender value of life insurance
(Increase) decrease in assets:
Accounts receivable
Inventory
Investments (classified as trading)
Employee advances
Prepaid insurance and other expenses
Other current assets
Increase (decrease) in liabilities:
Accounts payable
Accrued expenses
Deferred revenue
Related party payable
Other current liabilities

**NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

\$

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments
Proceeds from sale of investments
Purchase of property and equipment
Proceeds from sale of property and equipment
Collections on loans receivable

**NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES**

\$

**CASH FLOWS FROM FINANCING ACTIVITIES**

Net borrowings on (repayment of) line of credit
Issuance of common stock
Dividends paid
Payment on capital lease obligations
Proceeds from borrowings on long-term debt
Payments made on long-term debt

**NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES**

\$

**NET INCREASE (DECREASE) IN CASH**

\$

**CASH AT BEGINNING OF YEAR**

**CASH AT END OF YEAR**

\$

**STATEMENT OF CASH FLOWS (CONTINUED)**  
**December 31, 201X**

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW DATA**

Cash paid for interest during the year	\$
Cash paid for income taxes during the year	\$

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES**

During the year ended December 31, 201X, the following noncash investing and financing activities were incurred:

Redeemed shareholder note for treasury stock	\$
Acquisition of equipment through financing	\$
Sale of equipment on installment loan basis	\$