

A3 Trial Balance and Financial Statements

Chapter 8 Financial Statements for Sole Proprietorships (II)

- **Statement of financial position** 是一份餘額清單，列出资产，负债及资本在某日的状况。
- 財務狀況表的舊名 **Balance sheet**
- **income statement** 報告企業的 **financial performance**，而 **statement of financial p** Name : _____ Class: _____

Statement of Financial Position as at 31 December 2008

	\$	\$
Non-current assets		
Shop premises	250,000	
Fixtures and fittings	<u>53,600</u>	303,600
Current assets		
Inventory	5,400	
Accounts receivable	42,300	
Bank	56,000	
Cash	<u>8,200</u>	
	111,900	
Less Current liabilities		
Accounts payable	<u>(41,880)</u>	
Net current assets		<u>70,020</u>
		373,620
Less Non-current liabilities		
Loan from C Ho		<u>(90,000)</u>
		<u>283,620</u>
Financed by:		
Capital		
Balance as at 1 January 2008		<u>290,000</u>
Add Net profit for the year		<u>16,620</u>
		306,620
Less Drawings		<u>(23,000)</u>
		<u>283,620</u>

Net Assets → 283,620

Opening capital → 290,000
16,620

Closing capital → 306,620
(23,000)
283,620

Classifications of assets and liabilities

Assets

Non-current assets	Current assets
<ul style="list-style-type: none"> – Non-current assets 是指那些會長期使用(超過一年)及不打算轉售的資產。 – 他們是耐用(durable)的。 – Examples: Premises, Land and buildings, Fixtures and fittings, Furniture, Machinery, Equipment and Motor vehicles – Non-current assets 會按耐用性(durability)排列，由最耐用的非流動資產開始到最不耐用。 	<ul style="list-style-type: none"> – Current assets 是指那些可能短期內(一年)能轉換成現金的資產。 – Examples: Inventory, Trade receivable, Accounts receivable, Rental deposit, Cash at bank and cash – Current assets 會按 liquidity 排列，由最難變現的項目開始到最易變現。

Liabilities

Current liabilities	Non-current liabilities
<ul style="list-style-type: none"> – Current liabilities 是指必須在一年內償還的債務。 – Examples: Trade payable, Accounts payable and Bank overdrafts 	<ul style="list-style-type: none"> – Non-current liabilities 是指不須在一年內償還的債務。 – 例子: 包括從銀行或其他金融機構借得的貸款。

編製財務狀況表

- **Net current assets = Current assets – Current liabilities**
- **Net current assets/Working capital** 用來顯示公司是否有足夠的流動資產來償還流動負債。
- 若流動負債超過流動資產，其相差便是 **net current liabilities**
- **Net profit or loss** 從 **Income statement** 而來，並加到 **Opening capital** 中。
- 在 **Trial balance** 顯示的資本是為 **Opening capital**
- **Drawings** 應從期初資本中扣除。
- **Closing capital = Opening capital + Contribution of capital + net profit/loss – Drawings.**

Classifications of ledger accounts

Personal accounts	Impersonal accounts
– 與企業進行交易的個人 (individuals) 和機構帳戶 (organizations)。	– 人名帳戶以外的其他帳戶。
– Examples: Debtor , Creditors	– Examples: Wages and salaries , Furniture and fixtures , Cash at bank , cash

Nominal account	Real accounts
– 在會計期末時， Nominal account 會被結清及其帳戶餘額會顯示在損益表上。	– 在會計期末時， Real accounts 餘額會顯示在財務狀況表上。
– 虛帳戶餘額不會轉到下一個會計周期。	– 實帳戶餘額會轉到下一個會計周期。
– 又稱為 Temporary accounts	– 又稱為 Permanent accounts
– Examples: Cost of goods sold , Expenses , Sales and Other revenues	– Examples: Assets , Liabilities and Capital

Uses of financial statements

Income statement	Statement of financial position
– 損益表報告一個企業在特定期間的 Financial performance	– 財務狀況表報告一個企業在特定日期的 Financial position 。
– 對於了解企業的 Operating results 和 Profitability 是非常有用。	– 對於了解企業的 Liquidity , Solvency 及 Long-term growth potential 是非常有用。

Users of financial statements

External users	Internal users
– Internal users 是指企業內部人員，Examples: Owners and managers	– External users 是指企業外部人員，Examples: Lenders , Potential investors , Suppliers , Customers and Government

Business owners

- 東主需要了解他們的業務是否賺錢，哪些資源可用，多少欠款，是否需要投入更多的資金等等。

Management

- **Management** 負責企業的日常運作。
- 因此，管理層是財務報表的主要用戶。
- 管理層需要知道哪些業務正在賺錢或賠錢，然後決定資源應如何重新分配及更好地使用。
- 管理層需要找出 **cash flows** 是否足夠應付日常營運及償還債務。

Lenders

- 貸款機構如銀行或其他金融機構需要知道一間公司是否能夠支付利息及償還貸款。

Potential investors

- 潛在投資者可以在他們已投資公司的財務報表中得知該公司的業績。
- 然後，從財務報表預測其未來收益，再決定這些公司是否值得投資。

Suppliers and customers

- 供應商需要知道客戶是否能夠準時支付欠款。
- 客戶想知道他們的供應商的財政狀況是否健康，是否能夠繼續提供商品或服務給他們。

Government bodies

- 稅務局須要知道一間公司財務報表中的利潤，再計算它應該繳付多少利得稅。

Limitations of financial statements

Reporting past results

- financial statements provide financial information that relates to the past
- What happened in the past may not continue in the future, and thus may not be relevant to current or future decision-making.

Assets valued at historical cost

- Assets are usually valued at historical cost
- The current market value of asset is not reflect in financial statements and may not reflect their true worth

Alternative accounting policies and methods can be used

- When treating an item, companies are allowed to choose among alternative accounting policies and methods
- For example, the adoption of different valuation methods would lead to a higher or lower profit figures
- Therefore, it could be very misleading to compare the financial results of different companies with different accounting policies and methods

- Financial statements involve personal judgements made by accountants and management, which may be subjective
- These judgements may even lead to errors, manipulation or fraud)

- Financial statements only provide information in monetary terms
- Some important information is missing simply because it cannot be expressed objectively in monetary terms
- For example, you cannot find out the morale of staff or the quality of relationship with customers from the financial statements.
- However, these qualitative factors are crucial to the financial success of a business

- Financial statements only provide a summary of the financial results of a business)

	\$
Sales	440,000
Office furniture	195,100
Bank loan (maturing on 31 August 2023)	80,000
Purchases	180,000
Bank	54,400
Capital, 1 January 2021	265,000
Rental deposit	30,000
Trade receivables	13,500
Trade payables	11,600
Equipment	35,500

The rental deposit for the shop was paid on 1 January 2021. It will be refunded upon the end of the tenancy agreement on 30 June 2022, if the terms of the rental contract are not violated. During the year 2021, Ben withdrew \$5,000 from the bank account each month for his personal use.

[illegible]