

**Income Statement**

- + Revenue
- Cost of Goods Sold
- = **Gross Profit**
- Operating Expenses
- Depreciation
- Stock-Based Comp.
- = **Operating Income**
- + Interest Income
- Interest Expense
- PP&E Write-Down
- + Debt Write-Down
- = **Pre-Tax Income**
- Income Tax Expense
- = **Net Income**
- ÷ Shares Outstanding
- = **Earnings Per Share**

**Legend**

- Green arrows indicate that the exact value flows in.
- Blue arrows indicate a simple addition / subtraction.
- Red arrows indicate a more complex formula.

(Parentheses) indicate that you should use the opposite sign for the change.

**Balance Sheet**

**Current Assets:**

- + Cash & Cash-Equivalents
- + Short-Term Investments
- + Accounts Receivable (AR)
- + Inventory

**Long-Term Assets:**

- + Long-Term Investments
- + Goodwill
- + Property & Equip. (PP&E)

= **Total Assets**

**Current Liabilities:**

- + Short-Term Debt
- + Accounts Payable (AP)
- + Accrued Expenses

**Long-Term Liabilities:**

- + Deferred Revenue (DR)
- + Long-Term Debt
- + Deferred Tax Liabilities

= **Total Liabilities**

**Shareholders' Equity (SE):**

- + Common Stock
- + Additional Paid-In Capital
- + Treasury Stock
- + Accumulated Other Comprehensive Income
- + Retained Earnings

= **Total Liabilities + SE**

**Assets = Liabilities + SE**

**Cash Flow Statement**

**Cash Flow from Operations:**

- + **Net Income**
- + Depreciation
- + Stock-Based Comp.
- + PP&E Write-Down
- Debt Write-Down
- + Deferred Income Taxes

**Changes in Op. Assets / Liab.:**

- Increase (Decrease) in AR
- Increase (Decrease) in Inventory
- + Increase (Decrease) in AP
- + Increase (Decrease) in Accrued Exp.
- + Increase (Decrease) in DR

= **Cash Flow from Operations (CFO)**

**Cash Flow from Investing:**

- Capital Expenditures
- Buy (Sell) Short-Term Investments
- Buy (Sell) Long-Term Investments

= **Cash Flow from Investing (CFI)**

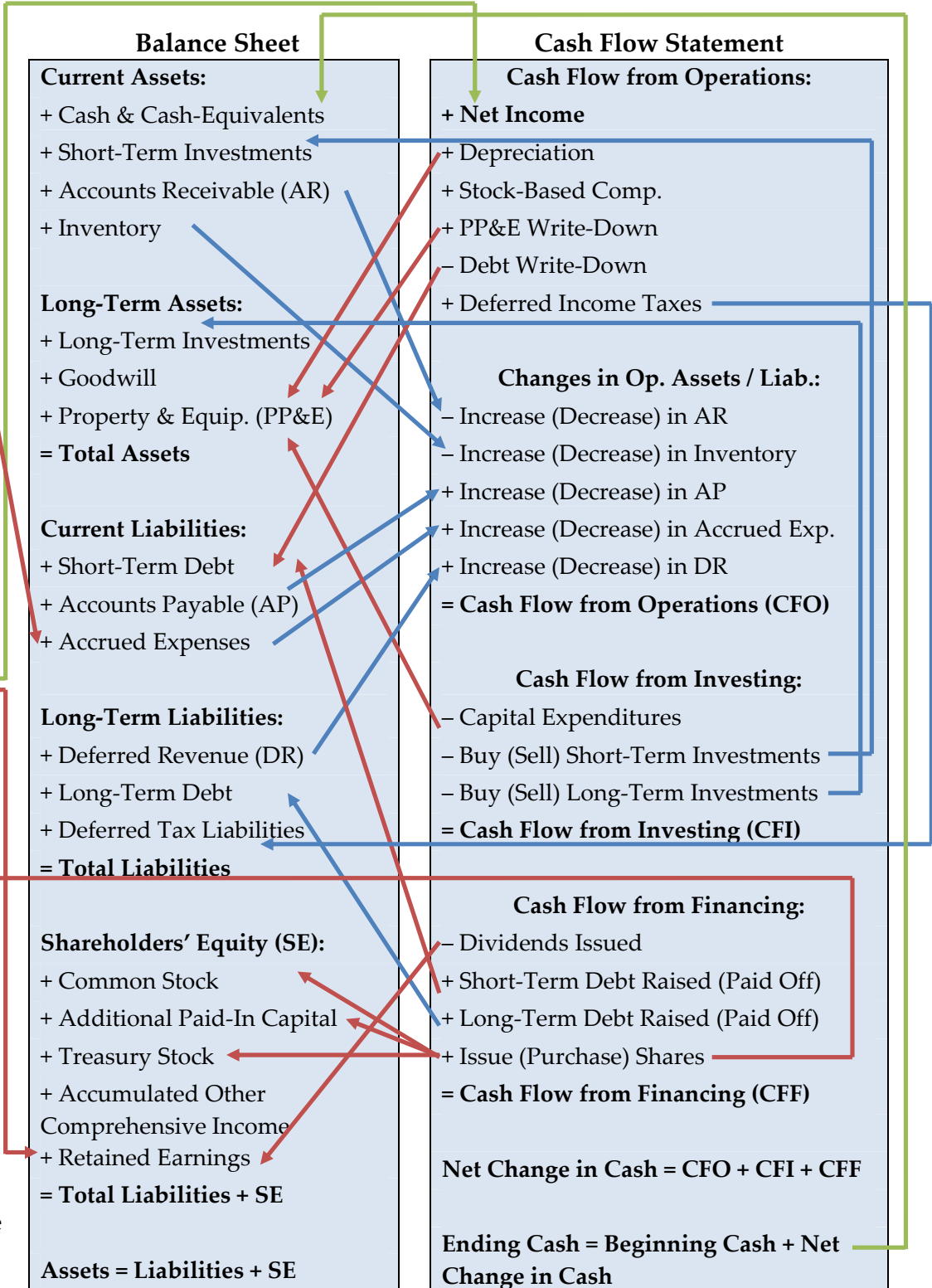
**Cash Flow from Financing:**

- Dividends Issued
- + Short-Term Debt Raised (Paid Off)
- + Long-Term Debt Raised (Paid Off)
- + Issue (Purchase) Shares

= **Cash Flow from Financing (CFF)**

**Net Change in Cash = CFO + CFI + CFF**

**Ending Cash = Beginning Cash + Net Change in Cash**





### Shareholders' Equity Links

#### Retained Earnings

Beginning Retained Earnings  
+ Net Income  
– Dividends Issued  
= Ending Retained Earnings

#### Common Stock

Beginning Common Stock  
+ (Shares Issued \* Par Value)  
= Ending Common Stock

#### Additional Paid-In Capital

Beginning APIC  
+ Shares Issued \* (Share Price – Par Value)  
= Ending APIC

#### Treasury Stock

Beginning Treasury Stock  
– (Shares Repurchased \* Share Price)  
= Ending Treasury Stock

#### Accumulated Other Comprehensive Income

Beginning AOCI Balance  
+ Effect of FX Exchange Rates  
+ Gains / Losses on Investments  
+ Other Misc. Income / Expenses  
= Ending AOCI Balance

#### Shares Outstanding

Beginning Shares Outstanding  
+ Shares Issued  
– Shares Repurchased  
= Ending Shares Outstanding

### Assets & Liabilities Links

#### Cash & Cash-Equivalents

Beginning Cash Balance  
+ Net Change in Cash  
= Ending Cash Balance

#### PP&E

Beginning PP&E Balance  
+ Capital Expenditures  
– Depreciation  
– PP&E Write-Downs  
= Ending PP&E Balance

#### Accrued Expenses

Beginning Accrued Expenses  
+ Accrued Expense Accrual  
– Accrued Exp. Paid Out In Cash  
= Ending Accrued Expenses

#### Debt

Beginning Debt Balance  
+ Debt Issuances  
– Debt Repayment  
– Debt Write-Downs  
= Ending Debt Balance

#### Deferred Tax Assets

Beginning DTA Balance  
– Deferred Income Taxes  
+ Income Tax Back-Payments  
= Ending DTA Balance

#### Deferred Tax Liabilities

Beginning DTL Balance  
+ Deferred Income Taxes  
– Income Tax Back-Payments  
= Ending DTL Balance

### Accounting Rules

#### Cash Flow (CF) Rules

Asset UP → CF DOWN  
Asset DOWN → CF UP

Liability UP → CF UP  
Liability DOWN → CF DOWN

Cash Flow from Operations includes **Net Income, Non-Cash Charges**, and changes to **Current Assets / Current Liabilities**.

Cash Flow from Investing includes changes to **Long-Term Assets**.

Cash Flow from Financing includes changes to **Long-Term Liabilities and Shareholders' Equity**.

Record **Revenue and Expenses** only in the period when you sell the associated product or service. Otherwise they should remain on the Balance Sheet (e.g. Deferred Revenue or Inventory).