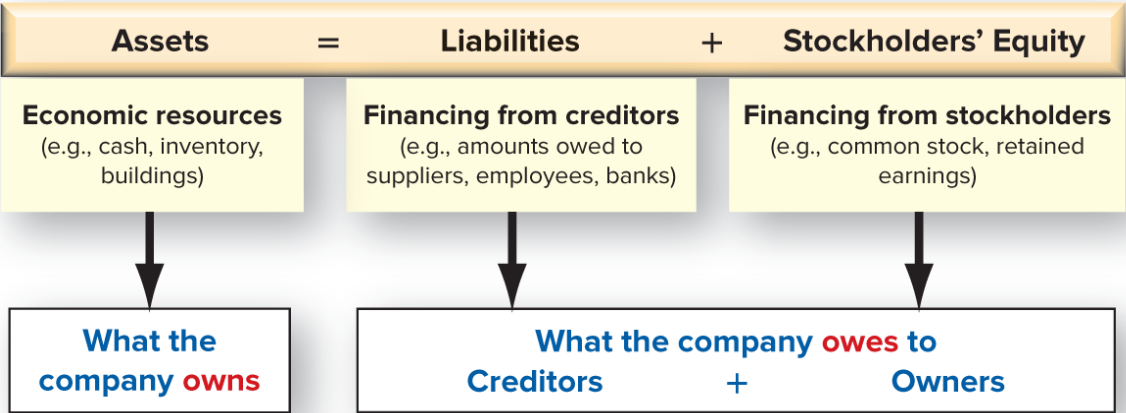


Financial Accounting Lesson Plan

1. Introduction to financial accounting: 5 minutes → DANI

- **What is accounting?** The process of tracking an individual or company's monetary transactions by recording and reporting their financial transactions, financial performance, and cash flows.
- **GAAP-** Stands for Generally Accepted Accounting Principles
 - Plays a huge role in determining financial statement content and managers'; directors' and auditors' responsibilities for ensuring the accuracy of the financial statements
 - The details rules are worked out by the Securities and Exchange Commission (SEC) and formulated by the Financial Accounting Standards Board (FASB)
- **CPA-** Stands for Certified Public Accountants
 - This is only granted on completion of requirements specified by the state that issues the license
 - Although CPA requirements vary among states, they include a college degree with a specified number of accounting courses and a total of 150 credit hours, good character, professional experience, and successful completion of a professional examination.

2. Accounting equation: Assets = Liability + Stockholders' Equity → MIGUEL



- **What's an asset?**- economic resources owned by the entity
- **What's a liability?**- indicates the amount of financing provided by creditors
- **What is stockholder's equity?**- indicates the amount of financing provided by owners of business and reinvested earnings.

3. What are the 4 statements? 20 minutes → MIGUEL

- **What's a balance sheet?**- reports the economic resources it owns and the sources of financing for those resources
- **What's a statement of stockholder' equity?**- reports additional contributions from or payments to investors and the amount of income the company reinvested for future growth
- **What's a cash flow statement?**- ability to generate cash and how it was used
 - Will go into more detail in the next part
- **What's an income statement?**- reports its ability to sell goods for more than their cost to produce and sell.
 - Consists of the 3 components in the accounting equation : Asset, liability, SE
 - Current (will be paid/ received within a year) vs Non-current (will NOT be paid/ received within a year)

4. What's a cash flow statement? 20 minutes → KAMMI

- Similar to the income statement, the cash flow statement covers a specified period of time (the accounting period)
 - **Cash flow from operating activities**- cash flow that are directly related to earning income
 - ex/ when customers pay McDonald's for the food it has delivered to them
 - ex/ when a company pays salaries to its production employees or pays bills received from its supplies.
 - **Cash flow from investing activities:** cash flows related to the acquisition or sale of the company's plant and equipment and investments
 - **Cash flow from financing activities:** cash flows directly related to the financing of the enterprise itself
 - Involve the receipt or payment of money to investors and creditors (except for suppliers)
 - ex/ borrow additional money from the bank to purchase manufacturing equipment or pay dividends to the stockholders
- The change in cash during the period is added to the beginning cash balance= ending cash balance
 - This balance should be the same as the amount reported on the balance sheet at the end of the period.
- **Why is the cash flow statement important?**

- Bankers often consider the Operating Activities section to be the most important because it indicates the company's ability to generate cash from sales to meet its current cash needs
- Any amount left over can be used to pay back the bank debt/ expand the company
- Stockholders will invest in a company only if they believe that it will eventually generate more cash from operations than it uses so that cash will become available to pay dividends and expand.

5. Q & A (?)