



**Establishing the  
Accounting, Legal  
and Regulatory  
framework for your  
business**

# Important Financial Statements

## Income statement / P&L

Shows the revenue, expenditure and profit & loss of a business. This statement determines whether a company is making profit or loss

## Balance sheet

Shows what a company owns (assets e.g. cash, inventory, receivables) or owes (liabilities e.g. payables, accruals) at a point in time.

## Cash flow statement

Shows the actual cash inflow and outflow of a business.  
Separated into operating; investing and financing.

# Example of an Income Statement (P&L)

Income statement elements	Definition
Revenue	Sales generated by providing products and / or services during the period
- Direct costs	Costs incurred to produce the product / deliver the service sold during the period
= Gross Profit	Measure of direct profitability
- Operating expenses	Other costs related to your activity (rent, HR costs, admin, marketing, maintenance...)
= EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
- Depreciation & Amortization	Portion of the cost of your assets allocated to the period
= EBIT	Earnings Before Interest and Tax
+ Interest income	Interest income on cash balances
- Interest expenses	Interest payments on loans
= PBT	Profit before tax
- Income tax	Tax paid as a % of your PBT
= PAT	Profit after tax

# Example of a Balance Sheet

**Example Corporation**  
**Balance Sheet**  
**December 31, 2022**

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,200
Short-term investments	10,000
Accounts receivable - net	39,500
Other receivables	1,000
Inventory	31,000
Supplies	3,800
Prepaid expenses	1,500
Total current assets	<u>89,000</u>
Investments <span style="float: right;"><u>36,000</u></span>	
Property, plant & equipment - net	
Land	5,500
Land improvements	6,500
Buildings	180,000
Equipment	201,000
Less: accumulated depreciation	<u>(56,000)</u>
Property, plant & equipment - net	<u>337,000</u>
Intangible assets	
Goodwill	105,000
Other intangible assets	<u>200,000</u>
Total intangible assets	<u>305,000</u>
Other assets <span style="float: right;"><u>3,000</u></span>	
Total assets	<u>\$ 770,000</u>

LIABILITIES

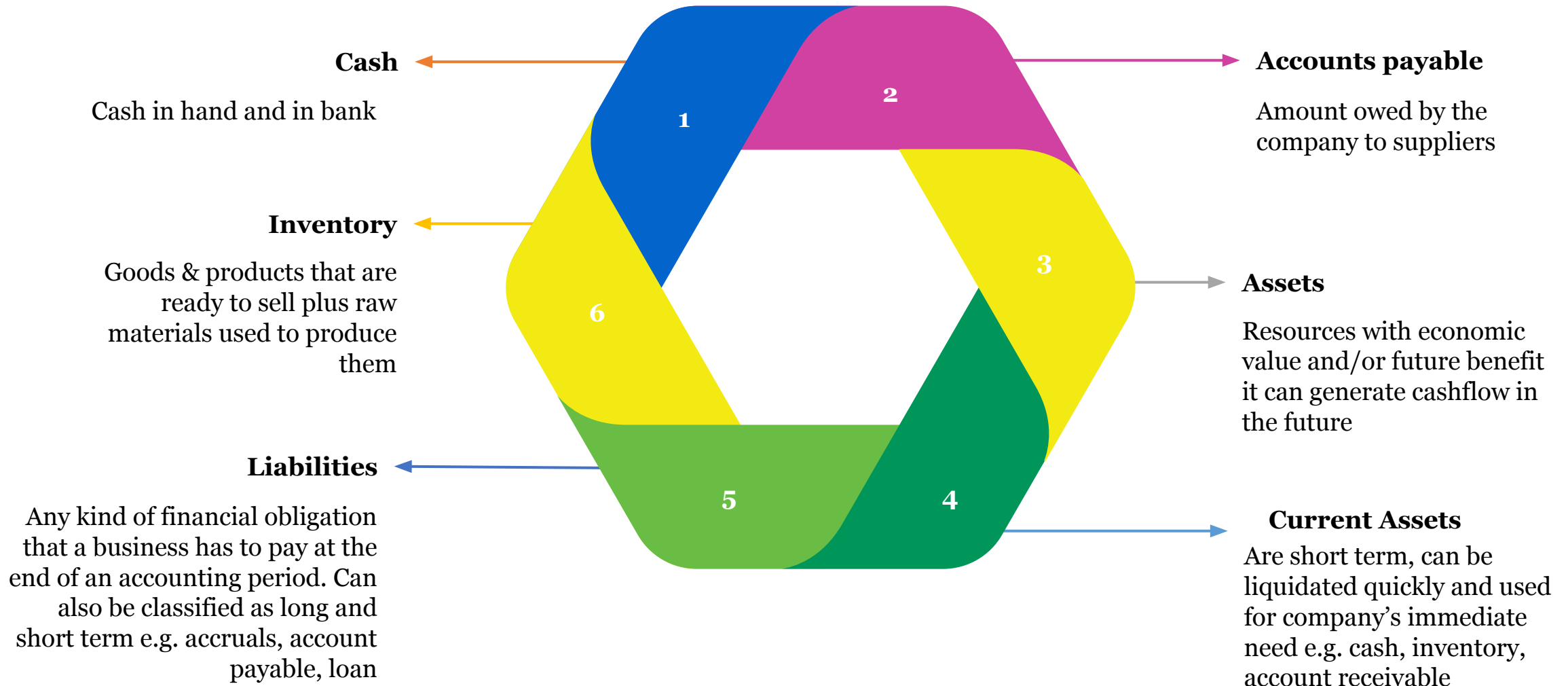
Current liabilities	
Short-term loans payable	\$ 5,000
Current portion of long-term debt	15,000
Accounts payable	20,900
Accrued compensation and benefits	8,500
Income taxes payable	6,100
Other accrued liabilities	4,000
Deferred revenues	<u>1,500</u>
Total current liabilities	<u>61,000</u>
Long-term liabilities	
Notes payable	20,000
Bonds payable	375,000
Deferred income taxes	<u>25,000</u>
Total long-term liabilities	<u>420,000</u>
Total liabilities	<u>481,000</u>
Commitments and contingencies (see notes)	

STOCKHOLDERS' EQUITY

Common stock	110,000
Retained earnings	220,000
Accum other comprehensive income	9,000
Less: Treasury stock	<u>(50,000)</u>
Total stockholders' equity	<u>289,000</u>
Total liabilities & stockholders' equity	<u>\$ 770,000</u>

*The accompanying notes are an integral part of this statement.*

# Main Elements of Your Balance Sheet and Their Definitions



# Importance of Bookkeeping for Businesses

- It is the process of keeping financial records
- It involves recording, reporting and analyzing the financial transactions
- It should be done right from the onset of the business, as simple as making a note of every purchase and revenue earned
- Business owners can only get a good picture of the financial status of that business if the records are kept and regularly updated

# Debits, Credits, Double Entry Bookkeeping

- In accounting, every transaction must be exchanged for something else of the same value.
- Debits and credits are used to record transactions in a company's chart of account
- The relationship here is that debits and credits are bookkeeping entries that balance each other out.
- The debits and credits are used to record the transactions to prepare the financial statement.



# Leveraging Software for Streamlined Financial Record-keeping

- Processing transactions with the software is fast because of the automation and error reduction advantage.
- Procurement and maintenance of the software has cost implication.
- Business owners can start off with manual bookkeeping if the transactions are not so many.
- It is advisable to get software once the volume of daily transactions increases





# Understanding Regulations

Each industry has its own set of laws and regulations tailored to its unique characteristics.

Staying informed and proactive helps mitigate legal risks and maintain professional standard.

# Sector-Specific

Regulations cover areas such as licensing, safety standards, environmental protection, and labor laws.

Businesses should conduct thorough research, connect with sector associations and seek legal advice to ensure compliance.

# Laws and

Compliance with sector-specific regulations is essential to avoid legal consequences and operational disruptions.

Non-compliance can result in reputational damage, legal liabilities, and financial penalties.