CHEAT SHEETS HERO

Financial Statements Cheat Sheet

A comprehensive guide to understanding and analyzing financial statements, including the balance sheet, income statement, statement of cash flows, and statement of retained earnings. Includes key ratios and analysis techniques.

Balance Sheet

Assets

Definition	Economic resources controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.
Current Assets	Assets expected to be converted to cash or used within one year or one operating cycle, whichever is longer. Examples: Cash, Accounts Receivable, Inventory.
Non-Current Assets	Assets not expected to be converted to cash or used within one year or one operating cycle. Examples: Property, Plant, and Equipment (PP&E), Intangible Assets.
Examples	• Cash and Cash Equivalents • Accounts Receivable • Inventory • Prepaid Expenses • Land • Buildings • Equipment • Accumulated Depreciation
Formula	Assets = Liabilities + Equity

Liabilities

Definition	Present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.
Current Liabilities	Obligations expected to be settled within one year or one operating cycle. Examples: Accounts Payable, Salaries Payable, Short-term Debt.
Non-Current Liabilities	Obligations not expected to be settled within one year or one operating cycle. Examples: Long-term Debt, Deferred Tax Liabilities.
Examples	• Accounts Payable • Salaries Payable • Unearned Revenue • Notes Payable (short-term) • Bonds Payable (long-term) • Mortgages Payable

Equity

Definition	The residual interest in the assets of the entity after deducting all its liabilities.
Components	Common Stock, Preferred Stock, Retained Earnings, Additional Paid-In Capital, Treasury Stock, Accumulated Other Comprehensive Income.
Retained Earnings	Accumulated profits of the company that have not been distributed as dividends.
Examples	• Common Stock • Preferred Stock • Retained Earnings • Additional Paid-In Capital

Income Statement

Key Components

Revenue	Inflows or other enhancements of assets of an entity or settlements of its liabilities from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.
Cost of Goods Sold (COGS)	Direct costs attributable to the production of the goods sold by a company.
Gross Profit	Revenue less Cost of Goods Sold. Indicates the efficiency of production and pricing.
Operating Expenses	Expenses incurred in the normal operation of the business, such as selling, administrative, and research and development expenses.
Operating Income	Gross Profit less Operating Expenses. Indicates profitability from core business operations.
Interest Expense	Cost of borrowing money.
Income Tax Expense	Expense related to income taxes.
Net Income	The 'bottom line'. Revenue less all expenses. Represents the company's profit for a period.

Formulas

Gross Profit Formula	Gross Profit = Revenue - Cost of Goods Sold (COGS)
Operating Income Formula	Operating Income = Gross Profit - Operating Expenses
Net Income Formula	Net Income = Operating Income + Non-Operating Revenues - Non-Operating Expenses - Income Taxes
EBIT Formula	EBIT (Earnings Before Interest and Taxes) = Net Income + Interest Expense + Income Tax Expense
EBITDA Formula	EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) = EBIT + Depreciation + Amortization

Income Statement Example

Revenue: $1,000,000
Cost of Goods Sold: $600,000
Gross Profit: $400,000
Operating Expenses: $200,000
Operating Income: $200,000
Interest Expense: $20,000
Income Tax Expense: $50,000
Net Income: $130,000

Statement of Cash Flows

Operating Activities

Definition	Cash flows resulting from the normal day-to-day operations of a business.
Examples	• Cash receipts from sales • Cash payments to suppliers • Cash payments to employees • Cash payments for taxes
Methods	• Direct Method: Reports actual cash inflows and outflows. • Indirect Method: Starts with net income and adjusts for non-cash items.

Investing Activities

Definition	Cash flows related to the purchase and sale of long-term assets, such as property, plant, and equipment (PP&E), and investments.
Examples	• Purchase of PP&E • Sale of PP&E • Purchase of investments • Sale of investments

Financing Activities

Definition	Cash flows related to changes in a company's debt and equity, such as borrowing money, issuing stock, and paying dividends.
Examples	• Issuance of stock • Repurchase of stock (treasury stock) • Issuance of bonds • Repayment of debt • Payment of dividends

Statement of Cash Flows Example

Cash from Operating Activities: $50,000
Cash from Investing Activities: -$30,000
Cash from Financing Activities: $10,000
Net Increase in Cash: $30,000
Beginning Cash Balance: $20,000
Ending Cash Balance: $50,000

Financial Ratio Analysis

Liquidity Ratios

Current Ratio	Current Assets / Current Liabilities Measures a company's ability to pay its short-term obligations.
Quick Ratio (Acid-Test Ratio)	(Current Assets - Inventory) / Current Liabilities More conservative measure of short-term liquidity, excludes inventory.
Cash Ratio	(Cash + Cash Equivalents) / Current Liabilities Most conservative measure of short-term liquidity, focuses on cash.

Profitability Ratios

Gross Profit Margin	(Revenue - Cost of Goods Sold) / Revenue Measures the percentage of revenue remaining after accounting for the cost of goods sold.
Operating Profit Margin	Operating Income / Revenue Measures the percentage of revenue remaining after accounting for operating expenses.
Net Profit Margin	Net Income / Revenue Measures the percentage of revenue remaining after accounting for all expenses.
Return on Equity (ROE)	Net Income / Average Stockholders' Equity Measures the return generated on shareholders' investment.
Return on Assets (ROA)	Net Income / Average Total Assets Measures the return generated on the company's assets.

Solvency Ratios

Debt-to-Equity Ratio	Total Debt / Total Equity Measures the proportion of debt used to finance a company's assets relative to equity.
Debt-to-Asset Ratio	Total Debt / Total Assets Measures the proportion of assets financed by debt.
Times Interest Earned Ratio	EBIT / Interest Expense Measures a company's ability to cover its interest expense with its earnings before interest and taxes.