Project **Financial statement presentation**

Topic **Statement of financial position**

Introduction

1. The purpose of this paper is for the IASB and the FASB (collectively, the boards) to reconsider their proposals in the October 2008 discussion paper *Preliminary Views on Financial Statement Presentation* that are specific to the statement of financial position (SFP).

2. This paper addresses the following issues:

   (a) Issue 1: displaying assets and liabilities and related subtotals (or totals) (paragraphs 5–12)

   (b) Issue 2: presenting a classified SFP (paragraphs 13–24)

   (c) Issue 3: disclosing information about the maturities of short-term contractual assets and liabilities (paragraphs 25–33)

   (d) Issue 4: presenting cash (paragraphs 34–41)

   (e) Issue 5: presenting cash equivalents (paragraphs 42–50)

   (f) Issue 6: presenting bank overdrafts (paragraphs 51–56).

Summary of staff recommendations

3. We recommend that the exposure draft:

   (a) include alternate displays of the SFP as illustrations (see Illustration 2 in the appendix to this paper).

   (b) require an entity to display total assets and total liabilities on the SFP. Further, an entity that presents its assets and liabilities in short-term and long-term subcategories is required to display subtotals for short-term assets, short-term liabilities, long-term assets and long-term liabilities on the SFP (see the illustrations in the appendix to this paper).

(c) retain the proposal that an entity should present a classified SFP except when a presentation of assets and liabilities in order of liquidity provides more relevant information.

(d) retain the proposal that an entity presenting a classified SFP must present its assets and liabilities in short-term and long-term subcategories based on a fixed period of one-year.

(e) drop the discussion paper proposal that an entity disclose information about the maturities of short-term contractual assets and liabilities in the notes to financial statements (as part of the financial statement presentation project).

(f) specify that an entity classify its cash balance at the reporting entity level, rather than at the reportable segment level proposed in the discussion paper. The effect of that decision is that cash cannot be presented in multiple categories in the SFP.

(g) retain the proposal to present and classify items formerly considered to be cash equivalents as short-term investments in the SFP, thereby eliminating the concept of 'cash equivalents' from IFRS and US GAAP.

(h) specify that an entity is required to present its bank overdrafts in the debt category of the financing section of the SFP. The basis for that decision is an entity with accounts in an overdraft position (absent a master netting arrangement) has entered into a borrowing arrangement equivalent to drawing down a revolving line of credit.

4. It is important to note that the staff recommendations for Issues 4—6 in this paper (items f—h above) depend on the boards retaining the proposal in the discussion paper to classify the SFP in accordance with the proposed section and category definitions tentatively agreed to at the October Joint meeting. The staff recommend in IASB agenda paper 8A/FASB memorandum 72A (Issue 1) that the boards retain that proposal.

Issue 1: Displaying assets and liabilities and related subtotals (or totals) on the SFP

5. If the primary financial statements are to be cohesive as recommended in IASB agenda paper 8A/FASB memorandum 72A (Issue 1), the SFP will display assets, liabilities and equity in accordance with the proposed section and category definitions tentatively agreed to at the October 2009 Joint meeting (see IASB agenda paper 7D/FASB memorandum 70D). Consequently, the exposure draft will retain the proposal that an entity classify and present its assets and liabilities in the business, financing, discontinued operations and income tax sections (and the relevant categories within those sections) on the SFP.

Constituent feedback

6. Question 6 in the discussion paper asks whether presenting both assets and liabilities in the business and financing sections of the SFP (coupled with the separation of business and financing activities in the statements of comprehensive income and cash flows) would make it easier for users of financial statements to calculate some important financial ratios for an entity's business activities or its financing activities. There were mixed views on the effects the proposed display would have on ratio analysis.

7. Approximately half of the respondents to that question agree that the proposed financial statement presentation model will facilitate easier financial ratio calculation. Those respondents think that more information will be made available on the face of the financial statements, thereby making it easier for users of financial statements to find information necessary for their calculations.

8. However, some respondents note that some ratios will be easier to calculate—such as return on net operating assets—but other ratios may be more difficult to calculate—such as ratios that depend on working capital items because all working capital items may not be presented in the same category.

9. Respondents that think the proposed presentation model will **not** facilitate the calculation of ratios cite the following:

   (a) the management approach to classification will introduce variability in how assets and liabilities are classified in the SFP of similar entities.

Consequently, making comparisons between those entities might be more difficult.

(b) the proposed presentation model introduces complexity to the presentation of the SFP; relevant information (as well as relationships between that information) may be obscured.

10. Some respondents perceive a decrease in the utility of the SFP because the subtotals (and totals) that they are accustomed to a) seeing displayed and b) working with might not be readily available on the SFP. Those respondents indicate that giving management the choice to disclose those subtotals (and totals) either on the SFP or in the notes is not helpful. (The discussion paper states that an entity should disclose total assets, total liabilities, and short-term and long-term subtotals for each either in the SFP or in the notes to financial statements.)

Staff recommendation

11. The staff think that it would be helpful to constituents if the exposure draft includes alternate displays of the SFP that readily provide for asset and liability totals and subtotals. The discussion paper illustrates the sections and categories on the SFP in a single column with subtotals for assets (and liabilities) for each category. Alternatively, an entity could choose to display the sections and categories on the SFP using a multi-column approach such that all of the assets are displayed in one column and all liabilities are displayed in another column (see Illustration 2 in the appendix to this paper). Providing illustrations in the exposure draft similar to those in the appendix could help constituents visualise the exposure draft proposals for the SFP, thereby making them more understandable.

12. Additionally, the staff recommend that the exposure draft require an entity to present total assets, total liabilities and subtotals for short-term and long-term on face of SFP as that will enable easier calculation of ratios and because it will present related information in the same place (that is, within the context of the SFP).

Questions for the boards

Q1. The staff recommend the exposure draft include alternate displays of the SFP, such as Illustration 2 in the appendix to this paper. **Do the boards agree with that recommendation?**

Q2. The staff recommend the exposure draft require total assets, total liabilities, and subtotals for short-term assets and short-term liabilities to be presented on the face of the SFP. **Do the boards agree with that recommendation?**

Issue 2: Presenting a classified statement of financial position

13. In the discussion paper, the boards propose requiring an entity to classify its assets and liabilities (except those related to a discontinued operation) in the SFP into short-term and long-term subcategories of the operating, investing, financing assets and financing liabilities categories unless a presentation based on order of liquidity provides information that is more relevant. In a presentation based on order of liquidity, an entity should present its assets and liabilities in increasing or decreasing order of liquidity.

14. Question 11 in the discussion paper asks respondents to consider what types of entities should **not** be required to present a classified SFP. A classified SFP is one that has short-term and long-term subcategories for assets and liabilities. That question also asks respondents whether more guidance is needed to help an entity determine whether it should present a SFP in order of liquidity rather than a classified SFP.

15. In IFRS and US GAAP, a classified presentation for the SFP is linked to the operating cycle of an entity. That operating cycle is denoted by the use of current and non-current subcategories. During deliberations for the discussion paper, the boards determined that their respective definitions of an operating cycle (and how those definitions are used to determine classification for current and non-current subcategories) are highly subjective and preclude comparability among entities. Consequently, the boards adopted a distinction that mandates a one-year cut-off between short-term and long-term subcategories for all entities, rather than continuing the use of current and non-current subcategories based on an entity's operating cycle.

Comments from respondents to the discussion paper

16. Respondents agree that not all entities should be required to present a classified SFP. Most respondents agree that a financial services entity should not be required to present a SFP that distinguishes between short-term and long-term assets and liabilities. Typically, a financial services entity has a broad range of assets and liabilities with differing maturity dates. Making that distinction will not result in any corresponding information benefit for users of their financial statements. Respondents think that a presentation in order of liquidity better reflects the financial position of a financial services entity. Consequently, presentation in order of liquidity provides information that may help a financial statement user in their analysis of a financial services entity's liquidity risk.

17. Most respondents think additional guidance is **not** necessary to help an entity determine whether it should present its SFP in order of liquidity. Respondents note it is already current practice for financial services entities to present their SFP in order of liquidity. Additionally, other respondents think that management should decide which presentation is best rather than it being prescribed by the boards.

18. Some respondents think the short-term and long-term distinction will increase comparability for entities presenting a classified SFP. The one-year benchmark helps financial statement users compare information across entities and could make it easier to assess the liquidity of an entity. Respondents also agree it will be necessary to separately disclose the length of an entity's specific operating cycle. A few respondents that do not support the short-term and long-term distinction think that that distinction contradicts the management approach to classification. Those respondents prefer that the distinction between short-term and long-term be based on the operating cycle of an entity. Their view is that the use of a one-year cut-off to denote long-term is not useful for entities in industries that have extended operating cycles (eg the airline industry).

Preparer field test results

19. The preparer field test involved thirty-one participants that recast their respective financial statements in accordance with the discussion paper

proposals. In response to questions asked on the preparer portion of the survey, very few preparer participants commented on the presentation format (ie classified versus order of liquidity) that should be used for the SFP.

20. Of the thirty-one participants, nine are banks and insurance companies. All nine of the financial services participants presented their assets and liabilities in order of liquidity in their non-recast SFP. Eight of the nine participants presented their assets and liabilities in order of liquidity in their recast SFP, with one participant switching their presentation to a classified SFP based on their interpretation of the requirements in the discussion paper. Those that presented in order of liquidity indicated that there was little discussion about the presentation of items on the SFP ‘because it was obvious that we should use order of liquidity.’

Staff analysis and recommendation

21. In the light of the feedback received, the staff recommend retaining the proposal in the discussion paper that an entity should be given the option to present either a classified SFP or an SFP in order of liquidity. Management is best positioned to determine the presentation that most accurately reflects both the characteristics of the assets and liabilities deployed by the entity as well as the nature of the business.

22. The staff think that no additional guidance is necessary to help an entity determine whether it should present its SFP using either the classified approach or the order of liquidity approach.

23. The staff understand that some constituents may want guidance for **how** to determine order of liquidity (ie the characteristics an entity should consider when deciding whether one asset is ‘nearer’ to cash than another asset). However, the staff do not think that the boards should provide guidance on that topic in the exposure draft. Determination of the relative liquidity of individual assets in a group of assets is dependent upon the unique features of those assets. Consequently, management is best positioned to make that judgment.

24. The staff also recommend retaining the proposal in the discussion paper that an entity presenting a classified SFP should present its assets and liabilities in

short-term and long-term subcategories where the distinction between short-term and long-term is based on a one-year period rather than an entity's specific operating cycle. The one-year period for short-term assets and liabilities should encourage objectivity in financial reporting and aide users in assessing the comparability of information provided by similar entities. To enhance that information, an entity with an operating cycle (or cycles) longer than one year should describe its operating cycle(s) in the notes to financial statements.

Questions for the boards
Q3. The staff recommend that the boards retain the proposal that an entity should present a classified SFP except when a presentation of assets and liabilities in order of liquidity provides more relevant information. **Do the boards agree with that recommendation?**
Q4. The staff recommend that the boards retain the proposal that an entity presenting a classified SFP must present its assets and liabilities in short-term and long-term subcategories based on a fixed period of one-year. **Do the boards agree with that recommendation?**

Issue 3: Disclosing information about the maturities of short-term contractual assets and liabilities

25. The discussion paper proposes that an entity should present in the notes to its financial statements information about the maturities of its short-term contractual assets and liabilities. **All** entities should present information about the maturities of their long-term contractual assets and liabilities in the notes to financial statements.

26. Question 22 in the discussion paper asks respondents whether an entity that presents assets and liabilities in order of liquidity in its SFP should disclose information about the maturities of its short-term contractual assets and liabilities in the notes to financial statements. The question also asks whether **all** entities should present that information—not just those that present their SFP in order of liquidity.

Comments from respondents to the discussion paper

27. The majority of respondents think that an entity that presents assets and liabilities in order of liquidity in its SFP should also disclose information about the maturities of its short-term contractual assets and liabilities in the notes. Those respondents agree that information about the maturities of short-term contractual assets and liabilities may help a user of financial statements to assess:

    (a) an entity's liquidity

    (b) how an entity manages its liquidity risk; and

    (c) the nature, timing and certainty of an entity's future cash flows.

28. A little more than half of respondents that answered question 22 also think **all** entities should present information about the maturities of short-term contractual assets and liabilities in the notes. However, many respondents also note that the proposed disclosure overlaps with requirements found in IFRS 7 *Financial Instruments: Disclosures*. Those respondents recommend that disclosures about the maturities of short-term contractual assets and liabilities **not** be included as part of the financial statement presentation project. Instead, requirements in existing standards should be enhanced to avoid duplication.

Staff analysis and recommendation

29. The staff acknowledge that overlap exists between the disclosure requirement proposed in the discussion paper and existing accounting guidance. For example, IFRS 7.39(a)(b) requires an entity to disclose contractual maturity information on both derivative and non-derivative financial liabilities as part of that entity's disclosure about its liquidity risk. The challenge is that the disclosure requirements in IFRS 7 apply only to financial instruments that are within the scope of IFRS 7. Consequently, disclosure of the maturities of short-term contractual assets and liabilities that are not within the scope of IFRS 7 are left to the requirements of other IFRSs (eg insurance contracts).

30. In US GAAP, FASB Accounting Standards Codification (ASC) Topic 320-10-50, *Investments—Debt and Equity Securities, Disclosure*, requires the disclosure

of information about the contractual maturities of different classifications of securities as of the date of the most recent SFP presented.

31. The challenge for the boards is that there is not a central requirement within IFRS or US GAAP for disclosure of all the information that could be useful in assessing an entity's liquidity risk. Requirements to disclose contractual maturity information are tied to whether the asset or liability in question meets the definition of a financial instrument and whether that asset or liability is within the scope of the relevant accounting pronouncement.

32. Additionally, consultations with the IASB Financial Instruments (FI) team on this topic revealed that the FSP team's proposal for the disclosure of contractual maturity information would inadvertently run counter to a disclosure exemption the IASB Board recently granted in IFRS 7 for derivatives where short-term contractual maturity information cannot be determined. Further, discussions with the IASB Insurance team indicate that expected maturity information—rather than contractual maturity information—could provide information that is more relevant for users of financial statements. Lastly, the FASB FI team is considering liquidity risk disclosures in the context of its project to replace the accounting and reporting requirements for financial instruments in US GAAP.

33. In the light of that information, the staff recommend that the requirement to disclose information about the maturities of its short-term contractual assets and liabilities in the notes to financial statements **not** be included in the FSP exposure draft. Instead, the disclosure of information about the short-term maturities of contractual assets and liabilities is better addressed in the boards' Insurance and/or FI projects.

Questions for the boards
Q5. The staff recommend that the boards **drop** the proposal that an entity disclose information about the maturities of *short-term* contractual assets and liabilities in the notes to financial statements as part of the financial statement presentation project. **Do the boards agree with that recommendation?**

Issue 4: Presenting cash

***Where* to present cash?**

34. The discussion paper proposes that an entity present all of its cash in a single line item in the SFP, and only one section or category in the SFP should include cash. The only situation in which an entity should present cash in more than one category is when it manages its cash at the reportable segment level and cash functions in a manner that is different in two or more reportable segments.

35. Cash is fungible—far more so than any other asset. Because of its fungibility, an entity generally manages its cash on a centralised basis, although the degree of centralisation may vary from one entity to another. In developing the discussion paper, the boards considered whether their preliminary views on classification should apply to cash in the same way as they apply to other assets such as receivables, inventory and short-term or long-term investments.

36. The boards observed that it might be difficult, if not impossible, for an entity to identify some of its cash as having one function and some as having another function. Accordingly, the boards concluded that unless cash is used differently in two or more reportable segments, allowing or requiring an entity to classify and present its cash in more than one category would not necessarily help to achieve the proposed objectives of financial statement presentation and it would impose a cost on entities that would be difficult to justify because of its questionable benefits.

37. The presentation model proposed in the discussion paper does not specify the category in which cash should be classified. In other words, an entity will determine whether to classify its cash or that of its reportable segments as operating, investing or financing.

Deliberations subsequent to the discussion paper

38. In deliberations for the exposure draft, the boards tentatively decided that the **financing section** will be defined to include items that are part of a reporting entity's activities to obtain (or repay) capital. That financing section consists of two categories: debt and equity. Idle cash (ie cash that is not deployed in the business activities of the entity as of the reporting date) and financial assets

acquired in lieu of holding cash (ie certificates of deposit, treasury bonds, fixed income securities, equity securities, etc.) will be presented in the business section.

Staff analysis and recommendation

39. While the staff appreciates the fact that cash may serve different functions in an entity, we think that the fungible nature of cash prevents the boards from requiring its allocation to more than one category. Said differently, the SFP is a snap shot as at a specific reporting date. Management's intent for an entity's cash is fluid and can (and often does) change.

40. A SFP provides information about an entity's assets, liabilities and equity and their relationships to each other *at a moment in time*. From a financial reporting perspective, an entity's cash balance on a given reporting date is not earmarked for anything—that is, a cash balance is simply an asset that has not been deployed in the entity's business activities. Capturing how management **intends** to use that cash balance via an allocation on the SFP could result in the presentation of misleading—rather than decision-useful—information.

41. Although there may be circumstances where management is able to determine separable functions for its cash (based primarily on how that cash is used at the reportable segment level), the staff do not think an entity should be permitted to classify cash in more than one category in its SFP. As a result, the staff propose prohibiting an entity from allocating cash to more than one category based on how cash is used at the reportable segment level. Said differently, the presentation of cash in the SFP should be determined at the reportable entity level, rather than the reportable segment level.

Questions for the boards
Q6. The staff recommend that the boards require cash to be presented at the reporting entity level, rather than the reportable segment level. **Do the boards agree with that recommendation?**

Issue 5: Presenting cash equivalents

42. Question 12 in the discussion paper asks respondents whether cash equivalents should be presented and classified in a manner similar to other short-term investments, not as part of cash.

Comments from respondents to the discussion paper

43. The majority of respondents that answered question 12 agree that cash equivalents should be presented and classified in a manner similar to other short-term investments. Those respondents note that cash equivalents do not possess the same characteristics as cash and have risks that are different than cash. Presenting cash equivalents separately from cash avoids grouping dissimilar assets in the same presentation line. Additionally, that presentation better reflects liquidity in the SFP. Some respondents note that a lack of consistency exists in practice in distinguishing between a cash equivalent and a short-term investment. The discussion paper proposal could help to minimise that diversity in practice.

44. Respondents that disagree with separating cash and cash equivalents state that those items are usually managed together because cash equivalents can be a critical component of an entity's cash management function. Those respondents argue that the discussion paper proposal for the presentation of cash and cash equivalents does not reflect how management manages the business (ie the management approach to classification). Consequently, those respondents do not see a reason to move away from the status quo.

Analyst field test results

45. The analyst field test participants were asked whether separating cash and cash equivalents for presentation on the SFP is a beneficial distinction. The majority of analyst participants were neutral as to separately presenting cash and cash equivalents.

46. However, a number of analyst participants commented on what they perceive as inconsistent treatment in presentation of transactions involving cash, short-term investments and investments in marketable securities. The underlying argument

is that there is a fundamental purpose for that group of transactions and that purpose is universally the same regardless of management's view of the transaction (or account). Therefore, those accounts should be presented in the same category or section.

47. Specifically, in the Steelworks financial statements, some marketable securities were shown in a section different than cash and available-for-sale securities. Analyst participants' view cash, short-term investments and marketable securities as a means of 'storing excess value' (ie cash) that is not currently required in the day-to-day operations of the entity. There is concern that **all** transactions (or accounts) for storing cash should be classified in the same section or category and should not be subject to interpretation by management.

Staff analysis and recommendation

48. In developing our recommendation, the staff focused on the fact that the management approach to classification is not meant to provide management with flexibility to aggregate items that do not have the same economic characteristics. The majority of respondents agree that cash equivalents **do not** have the same characteristics as cash. While cash and cash equivalents may be managed similarly, they are different assets.

49. The staff recommend that the exposure draft retain the discussion paper proposal to classify cash and cash equivalents separately on the SFP. As a result, items that formerly met the definition of a cash equivalent will be classified as short-term investments. To be clear, the effect of agreeing with this proposal means that the concept of cash equivalents will be consequentially eliminated from both IFRS and US GAAP.

50. As a reminder, the boards tentatively decided at the October Joint meeting that the investing category will be defined to include items that generate non-revenue income and for which no significant synergies are created from combining assets. As a result, the staff expect that financial assets formerly considered to be cash equivalents will be classified in the investing category as short-term investments.

Question for the boards
Q7. The staff recommend that the boards retain the proposal to present and classify items formerly considered to be cash equivalents as short-term investments in the SFP. **Do the boards agree with that recommendation?**

Issue 6: Presenting bank overdrafts

51. At the October Joint meeting, some board members expressed a preference for presenting bank overdrafts in the debt category of the financing section. That preference was expressed as part of the boards' deliberations on the section and category definitions.

52. IAS 7 *Statement of Cash Flows* defines cash as 'cash on hand and demand deposits.' According to the ASC Glossary 'cash includes not only currency on hand but demand deposits with banks or other financial institutions. Cash also includes other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.'

53. Paragraphs 8 and 9 of IAS 7 note that 'in some countries, bank overdrafts which are repayable on demand form an integral part of an entity's cash management. In those circumstances, bank overdrafts are included as a component of cash and cash equivalents. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn.'

54. A **bank overdraft** is a credit agreement whereby a bank provides automatic funding to an entity to cover any checks presented for payment in excess of available cash balances. An entity may use bank overdrafts to meet short-term liquidity needs.

55. In some cases, an entity will have a master netting agreement whereby credit balances in an account may be offset by debit balances in other accounts, thus creating what is in effect one large co-mingled account. In that circumstance, the use of a master netting agreement does not reflect an extension of credit to the entity by the bank or any external party as long as the aggregate balance of

all accounts covered by that master netting agreement remains positive. If an entity has accounts outside of the reporting entity that are included in the master netting agreement, those accounts should be excluded from the calculation used to determine whether the entity is in an overdraft position.

Staff analysis and recommendation

56. The staff think that an entity that has prearranged for its bank to provide automatic funding to cover any checks presented for payment in excess of available cash balances has entered into a short-term financing arrangement. At the end of a reporting period, an entity should report a bank overdraft (a short-term liability) for the excess of outstanding checks over bank cash balances in the debt category of the financing section on the SFP. Over a reporting period, a change in the balance of an entity's bank overdraft should constitute cash flows from financing activities in the SCF. However, cash accounts with negative balances that are covered by a master netting agreement would be shown as part of the net cash line item in the SFP as long as the aggregate balance of all accounts covered by that master netting agreement remains positive

Questions for the boards
Q8. The staff recommend that the exposure draft require an entity to present bank overdrafts in the debt category of the financing section. **Do the boards agree with that recommendation?**

Appendix: Formats for the statement of financial position

Illustration 1

Statement of Financial Position

	December 31, 2011	December 31, 2010
Business		
Operating		
Short Term		
Cash	447,004	708,302
Accounts Receivable	1,677,000	1,017,500
Inventories	1,563,625	1,851,625
Other Short Term Assets	63,750	53,750
Total Short Term Operating Assets	3,751,379	3,631,177
Accounts Payable	(850,604)	(1,046,202)
Accrued Labor	(80,625)	(62,125)
Accrued Advertising	(46,300)	(76,600)
Deferred Income	(353,700)	(353,700)
Other Accruals	(96,980)	(95,350)
Total Short Term Operating Liabilities	(1,428,209)	(1,633,977)
Long Term		
Land	100,000	100,000
Plant	170,000	177,500
Equipment	99,740	173,740
Goodwill	1,076,600	1,076,600
Other Intangibles	425,900	175,900
Other Long Term Assets	64,125	64,125
Total Long Term Operating Assets	1,936,365	1,767,865
Pension Obligation	(300,530)	(281,630)
Other Long Term Liabilities	(63,450)	(63,450)
Total Long Term Operating Liabilities	(363,980)	(345,080)
Total Operating	**3,895,555**	**3,419,985**
Investing		
Short Term		
Short Term Investments	758,700	859,500
Investment in Common Stock	87,000	102,000
Total Short Term Investing Assets	845,700	961,500
Equity Investment	130,642	127,592
Total Investing	**976,342**	**1,089,092**
Total Business	**4,871,897**	**4,509,077**
Income Tax		
Net Short Term Tax Liability	(61,254)	(54,754)
Net Long Term Tax Liability	(254,400)	(254,400)
Total Income Tax	**(315,654)**	**(309,154)**
Financing		
Debt		
Short Term		
Short Term Portion of Debt	(150,000)	
Short Term Portion of Lease	(10,000)	(10,000)
Total Short Term Debt	(160,000)	(10,000)
Long Term		
Long Term Debt	(1,273,000)	(1,335,000)
Lease Obligation	(20,000)	(30,000)
Total Long Term Debt	(1,293,000)	(1,365,000)
Total Debt	(1,453,000)	(1,375,000)
Equity		
Common Stock	(240,500)	(240,500)
Paid in Capital	(780,400)	(670,400)
AOCI/Retained earnings	(1,964,804)	(1,812,233)
Total Shareholders Equity	(2,985,704)	(2,723,133)
Noncontrolling interest in subsidiary	(117,540)	(101,790)
Total Equity	(3,103,243)	(2,824,923)
Total Financing	**(4,556,243)**	**(4,199,923)**
Total Assets	6,664,086	6,488,134
Total Liabilities	(3,560,843)	(3,663,211)
Total Equity	(3,103,243)	(2,824,923)

Illustration 2

Statement of Financial Position					
	December 31,			December 31,	
	2011	2010		2011	2010
Business					
Operating					
Short Term			*Short Term*		
Cash	447,004	708,302	Accounts Payable	(850,604)	(1,046,202)
Accounts Receivable	1,677,000	1,017,500	Accrued Labor	(80,625)	(62,125)
Inventories	1,563,625	1,851,625	Accrued Advertising	(46,300)	(76,600)
Other Short Term Assets	63,750	53,750	Deferred Income	(353,700)	(353,700)
			Other Accruals	(96,980)	(95,350)
Total Short Term Operating Assets	3,751,379	3,631,177	Total Short Term Operating Liabilities	(1,428,209)	(1,633,977)
Long Term			*Long Term*		
Land	100,000	100,000	Pension Obligation	(300,530)	(281,630)
Plant	170,000	177,500	Other Long Term Liabilities	(63,450)	(63,450)
Equipment	99,740	173,740			
Goodwill	1,076,600	1,076,600			
Other Intangibles	425,900	175,900			
Other Long Term Assets	64,125	64,125			
Total Long Term Operating Assets	1,936,365	1,767,865	Total Long Term Liabilities	(363,980)	(345,080)
Total Operating Assets	**5,687,744**	**5,399,042**	**Total Operating Liabilities**	**(1,792,189)**	**(1,979,057)**
Investing					
Short Term					
Short Term Investments	758,700	859,500			
Investment in Common Stock	87,000	102,000			
Total Short Term Investing Assets	845,700	961,500			
Equity Investment	130,642	127,592			
Total Investing	**976,342**	**1,089,092**			
Total Business Assets	**6,664,086**	**6,488,134**	**Total Business Liabilities**	**(1,792,189)**	**(1,979,057)**
			IncomeTax		
			Net Short Term Tax Liability	(61,254)	(54,754)
			Net Long Term Tax Liability	(254,400)	(254,400)
			Total Income Tax	**(315,654)**	**(309,154)**
			Financing		
			Debt		
			Short Term		
			Short Term Portion of Debt	(150,000)	
			Short Term Portion of Lease	(10,000)	(10,000)
			Total Short Term Debt	(160,000)	(10,000)
			Long Term		
			Long Term Debt	(1,273,000)	(1,335,000)
			Lease Obligation	(20,000)	(30,000)
			Total Long Term Debt	(1,293,000)	(1,365,000)
			Total Debt	(1,453,000)	(1,375,000)
			Equity		
			Common Stock	(240,500)	(240,500)
			Paid in Capital	(780,400)	(670,400)
			AOCI/Retained earnings	(1,964,803)	(1,812,233)
			Total Shareholders Equity	(2,985,703)	(2,723,133)
			Noncontrolling interest in subsidiary	(117,540)	(101,790)
			Total Equity	(3,103,243)	(2,824,923)
			Total Financing	**(4,556,243)**	**(4,199,923)**
Total Assets	**6,664,086**	**6,488,134**	**Total Liabilities and equity**	**(6,664,086)**	**(6,488,134)**