

Financial Statements: Tales Told in Dollars and Cents – Susan Scholz

Overview

Financial reports use an underlying code called Generally Accepted Accounting Principles – GAAP for short. Without understanding how GAAP numbers are determined, inferring their meaning is difficult. In this course we will explore recently issued financial statements of a publicly traded company. For each statement and account, we will consider the intent, measurement, information value and limitations of the numbers reported in the financial statements.

Course Topics

- Annual Reports
 - What is the overall intent of Generally Accepted Accounting Principles?
 - What are the limitations of financial accounting?
- Revenues
 - When is a sale really a sale, and why doesn't GAAP agree?
 - How can you collect cash from a customer, and record a liability?
- Expenses
 - Why are some expenses more important than others?
 - What is a non-cash expense or, when is the cash *really* paid?
- Assets
 - Which can be spent, and which are just expenses waiting to happen?
 - How are they valued?
 - How does buying and selling assets affect income?
- Liabilities
 - What is an off-balance sheet liability?
 - How are liabilities valued?
- Shareholders' Equity
 - Why can't I spend it?
 - How does stock based compensation work?
 - Is Equity even a meaningful number?
- Cash Flows
 - Why do cash flows differ from earnings, and why does it matter?
 - Why doesn't the cash flow statement make any sense, and how can I get something out of it anyway?