Thammasat University
Faculty of Economics
Bachelor of Economics (International Program)

AC201
Fundamental Accounting

Semester 1/2012

Course Materials

Topic:

Chapter 1 Financial Statements
and Business Decisions

Session:

Session #2

Instructor:

Assistant Professor Dr. Orapan Yolrabil

Introduction to Financial Statements

We are here

FINANCIAL STATEMENTS	ASSETS	LIABILITIES	EQUITY

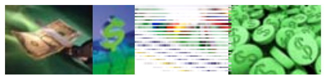
• Statement of Financial Position
• Statement of Comprehensive Income
• Statement of Changes in Equity
• Statement of Cash Flows
	• Cash
	• Investments in debt and equity securities
	• Accounts receivable
	• Notes receivable
	• Inventory
	• Prepaid expenses
	• Property, plant, and equipment
	• Intangible assets
	• Natural resources
		• Accounts payable
		• Accrued liabilities
		• Unearned revenues
		• Notes payable
		• Bonds payable
			• Share capital
			  • Preferred share
			  • Ordinary share
			• Retained earnings
			  • Appropriated R/E
			  • Unappropriated R/E
			• Treasury share

Accounting Cycle

Financial Statement Items

FINANCIAL STATEMENT ANALYSIS

AC201 Fundamental Accounting

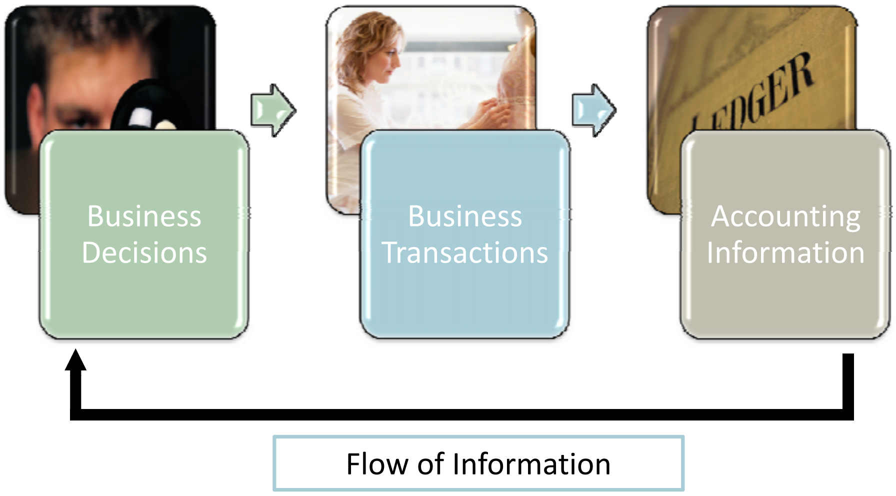


CHAPTER 1:
FINANCIAL STATEMENTS AND BUSINESS DECISIONS

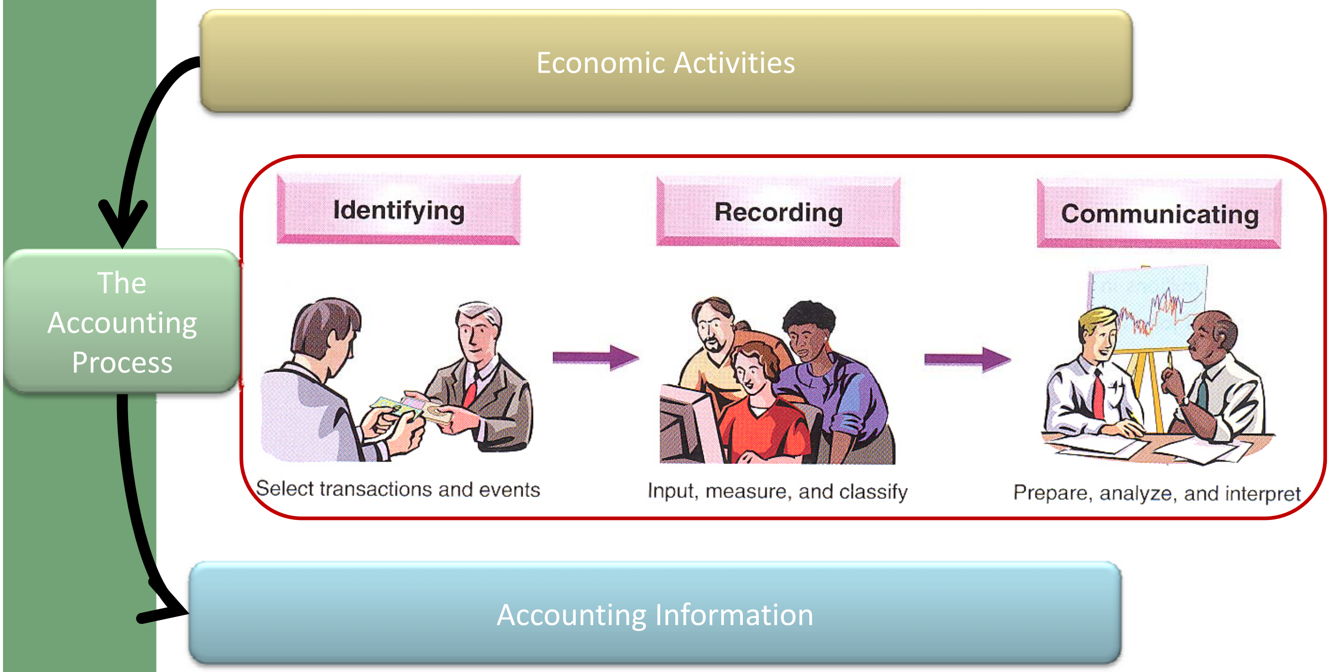
Assistant Professor Dr. Orapan Yolrabil
Department of Accounting
Thammasat Business School
Thammasat University

Accounting

- **Accounting is the information system that measures business activities, processes that information into reports, and communicates the results to decision makers.**



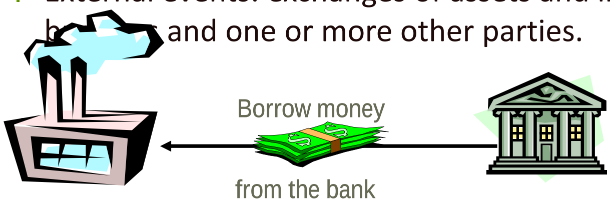
Basic Functions of an Accounting System



Nature of Business Transactions

Economic Activities

- **Transaction**
  - (1) An exchange between a business and one or more external parties to a business
    - External events: exchanges of assets and liabilities between the business and one or more other parties.

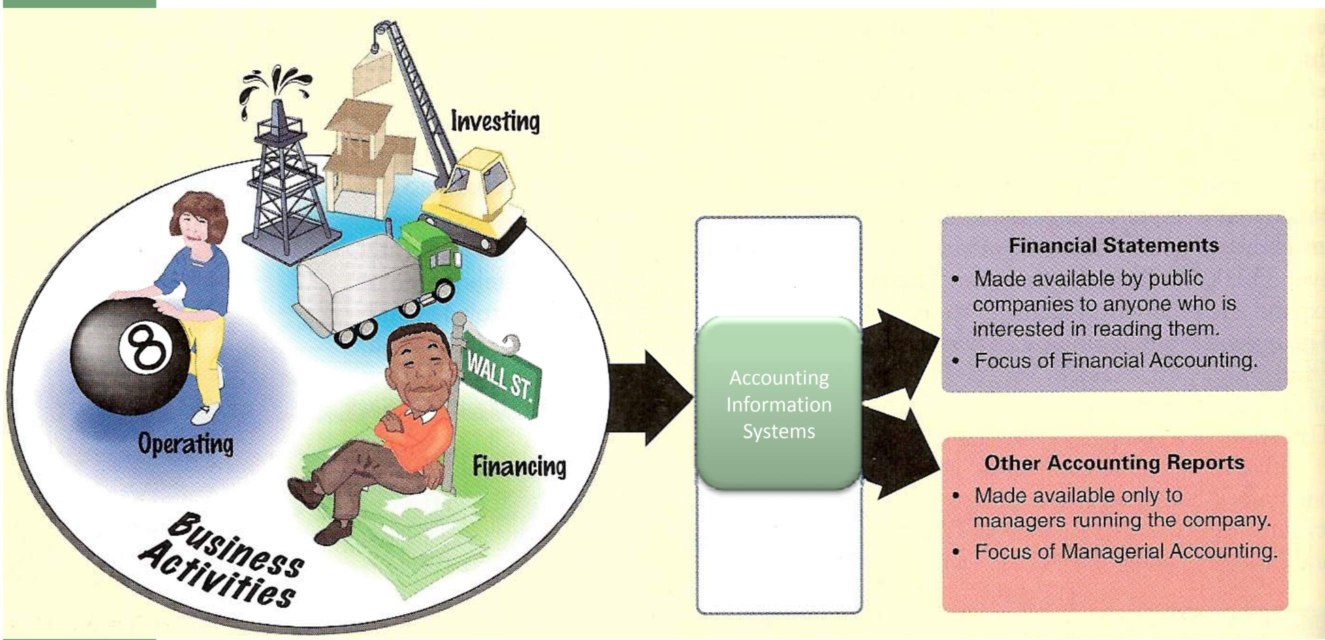


  - (2) A measurable internal event such as the use of assets in operations.
    - Internal events: not an exchange between the business and other parties, but have a direct effect on the accounting entity.

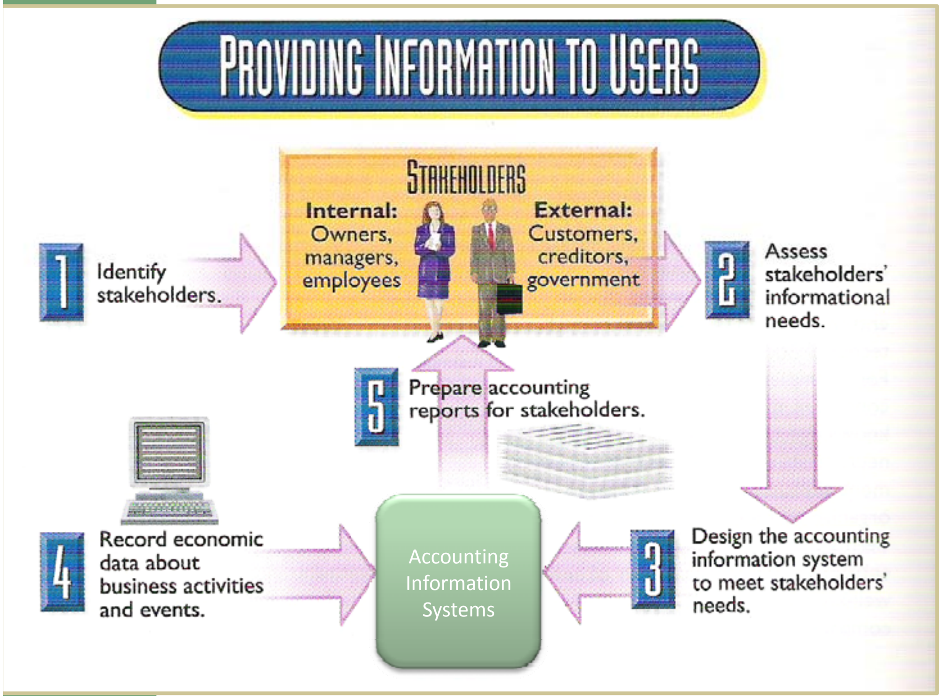
Activities in Organizations

- **All businesses pursue their goals by engaging in operating, investing, and financing activities.**
  - ***Operating activities*** include selling goods and services to customers, employing managers and workers, buying and producing goods and services, and paying taxes.
  - ***Investing activities*** involve spending the capital a company receives in productive ways that will help it achieve its objectives. These activities include buying land, building, equipment, and other resources that are needed to operate the business and selling them when they are no longer needed.
  - ***Financing activities*** involve obtaining adequate funds, or capital, to begin operations and to continue operating. These activities include obtaining capital from creditors and from owners.

Accounting for the Results of Business Activities



Accounting Information and Stakeholders



Accounting is the ***language of business*** because accounting is the means by which business information is communicated to stakeholders.

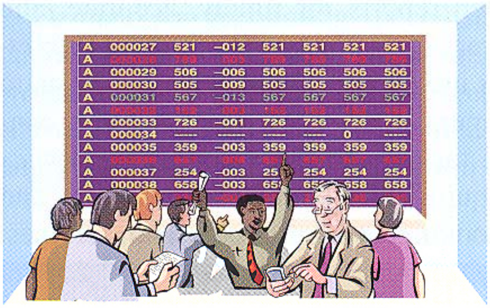
A ***business stakeholder*** is a person or entity having an interest in the economic performance of the business.

Accounting System and Decision Makers

- **Financial accounting**
  - Financial accounting generate reports and communicates them to ***external decision makers*** so that can evaluate how well the business has achieved its goal.
- **Management accounting**
  - Management accounting provides ***internal decision makers*** who are charged with achieving the goals of profitability and liquidity with information about financing , investing, and operating activities.

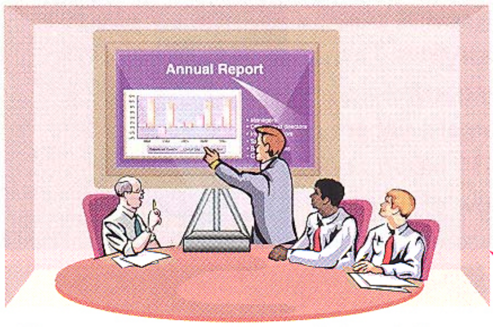
Internal VS. External Users

External users



- Lenders
- Shareholders
- Governments
- Consumer groups
- External auditors
- Customers

Internal users



- Managers
- Officers and directors
- Internal auditors
- Sales staff
- Budget officers
- Controllers

Characteristics of Management Accounting Information

Internal Users

- **Board of Directors/Vice Presidents**
- **Chief Executive Officer**
- **Chief Financial Officer**
- **Business Unit Managers**
- **Plant/store/line Managers**

Measures of Efficiency and Effectiveness

Oriented Toward Future

Users' Preferences

Timeliness

Characteristics of Financial Accounting Information

External Users

- **Owners/Investors**
- **Creditors**
- **Labor Unions**
- **Governmental Agencies**
- **Suppliers**
- **Customers**
- **Trade Associations**
- **General Public**

Based on General-Purpose Assumption

Historical in Nature

Usefulness Enhanced via Explanation

Results from Inexact and Approximate Measures

Annual Report

- ***Annual report*** **is a document that summarizes the results of operations and financial status of a company for the past year and outlines plans for the future.**
  - Management Discussion & Analysis
  - Financial Statements
  - Report of Management
  - Report of Independent Auditors
  - ....

Most companies prepare financial statements at the end of the quarter (called quarterly reports→ interim reports) and the end of the year (called annual reports).

REPORT OF INDEPENDENT AUDITOR & FINANCIAL REPORT

REPORT OF INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF PRESIDENT BAKERY PUBLIC COMPANY LIMITED

I have audited the accompanying statements of financial position, in which the equity method is applied, of President Bakery Public Company Limited as at 31 December 2011 and 2010, and the related statements of comprehensive income, changes in shareholders' equity and cash flows, in which the equity method is applied, for the years then ended and the separate financial statements of President Bakery Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

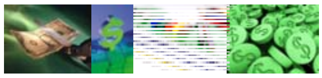
I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of President Bakery Public Company Limited as at 31 December 2011 and 2010, the results of theirs operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

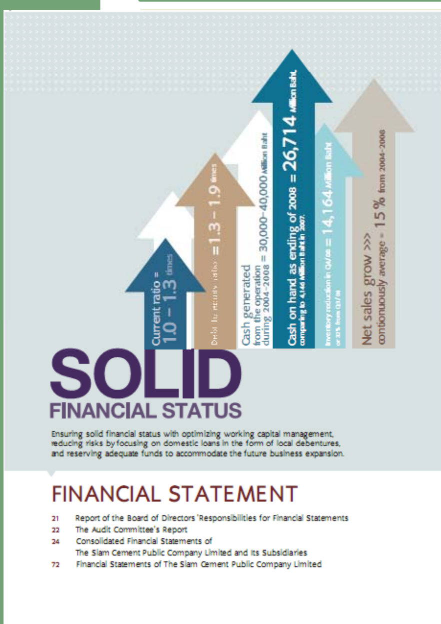
Without qualifying my opinion on the above financial statements, I draw attention to the matter as discussed in Note 3 and Note 5 to the financial statements, during the current year, the Company adopted the revised and new accounting standards issued by the Federation of Accounting Professions, and applied these in its preparation and presentation of the financial statements. For the first-time adoption of TAS 19 Employee Benefits, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

WICHART LOKATEKRAWEE
Certified Public Accountant (Thailand) No. 4451

Ernst & Young Office Limited
Bangkok: 14 February 2012



Components of Financial Statements



- **Components of Financial Statements**
  - A complete set of financial statements should include:
    - Statement of ***Financial Position*** or Statement of Financial Position at the end of the period,
    - Statement of ***Comprehensive Income*** for the period,
    - Statement of ***Changes in Equity*** for the period
    - Statement of ***Cash Flows*** for the period, and
    - ***Notes***, comprising a summary of accounting policies and other explanatory notes.
  - When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, it must also present a statement of financial position (Statement of Financial Position) as at the beginning of the earliest comparative period.
    - An entity may use titles for the statements other than those stated above.

Structure and Content of Financial Statements

- **Structure and Content of Financial Statements**
  - Clearly identify:
    - the financial statements
    - the reporting enterprise
    - whether the statements are for the enterprise or for a group
    - the date or period covered
    - the presentation currency
    - the level of precision (thousands, millions, etc.)

Objective of Financial Statements

- **Objective of Financial Statements:**
  - The objective of general purpose financial statements is ***to provide information about the financial position, financial performance, and cash flows of an entity*** that is useful to a wide range of users in making economic decisions.
    - To meet that objective, financial statements provide information about an entity's:
      - Assets.
      - Liabilities.
      - Equity.
      - Income and expenses, including gains
      - Other changes in equity.
      - Cash flows.

Items presented on the face of the financial statements

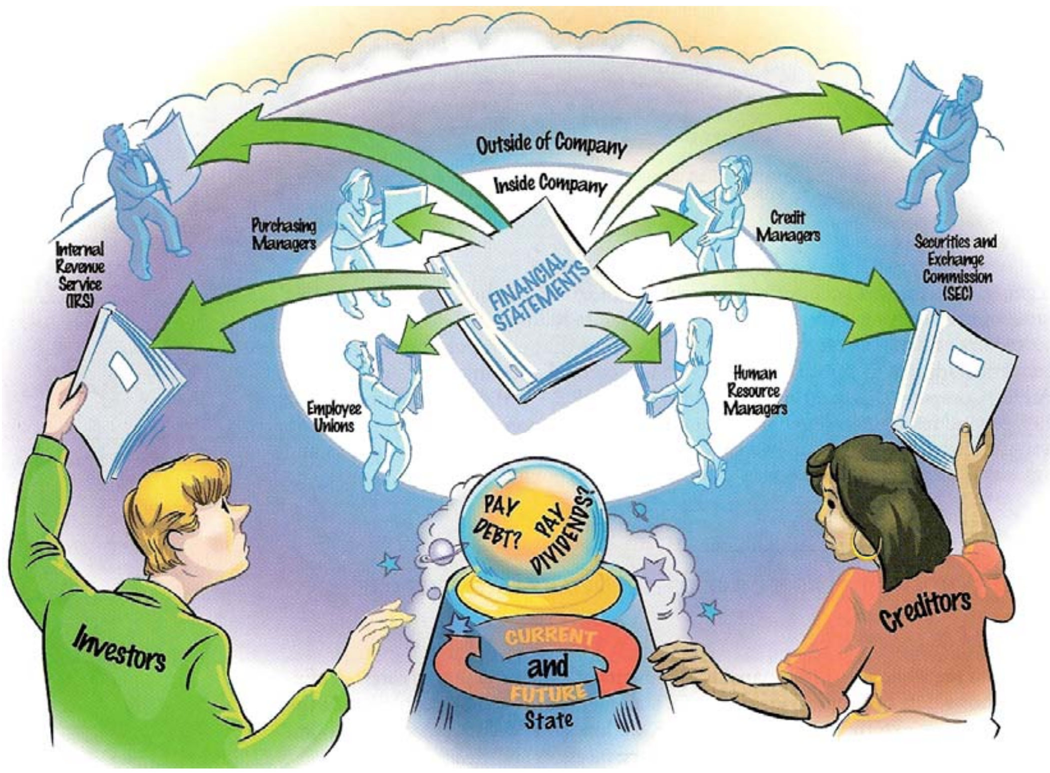
    - That information, along with other information in the ***notes***, assists users of financial statements in predicting the entity's future cash flows and, in particular, their timing and certainty.

Information disclosed in the notes to financial statements

Elements of Financial Statements

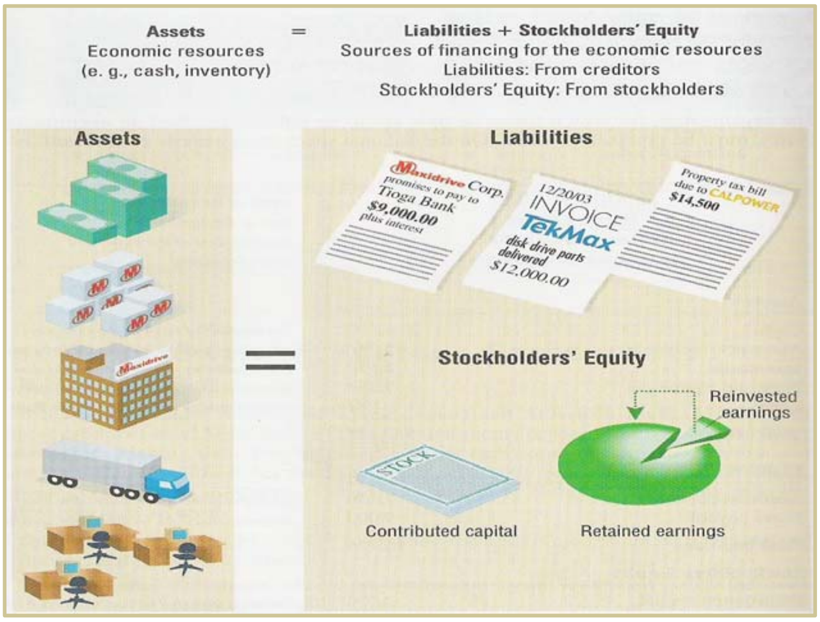
- **The Elements of Financial Statements**
  - Financial statements portray the financial effects of transactions and other events by grouping them into broad classes according to their economic characteristics.
    - These broad classes are termed the ***elements of financial statements***.
      - The elements directly related to ***financial position*** (Statement of Financial Position or Statement of Financial Position) are:
        - » Assets
        - » Liabilities
        - » Equity
      - The elements directly related to ***performance*** (Statement of Comprehensive Income) are:
        - » Income
        - » Expenses
      - The cash flow statement reflects both Statement of Comprehensive Income elements and changes in Statement of Financial Position elements.

Financial Statement Users



Statement of Financial Position or Balance Sheet

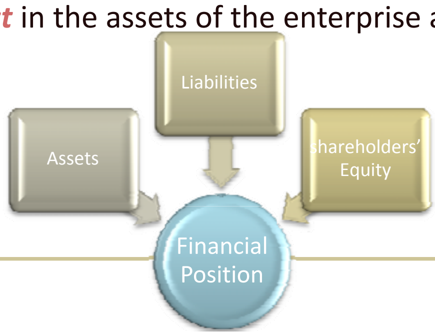
Statement of financial position reports a business's *financial position* (assets, liabilities, and owners' equity) at particular *point in time.*



Assets = Liabilities + Equity

Financial Position

- **Definitions of the elements relating to financial position**
  - Asset:
    - An asset is a resource controlled by the enterprise as a result of past events and from which ***future economic benefits*** are expected to flow to the enterprise.
  - Liability:
    - A liability is a present ***obligation*** of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.
  - Equity:
    - Equity is the ***residual interest*** in the assets of the enterprise after deducting all its liabilities.



Accounting Equation:
Assets = Liabilities + Equity

Assets

Assets are arranged based on their liquidity level
(Ease of conversion to cash)

- Current Assets
- Noncurrent Assets

Liabilities

Liabilities are presented based on the maturity or due dates.

- Current Liabilities
- Noncurrent Liabilities

Equity

- Capital share
- Retained earnings

Assets = Liabilities + Equity

Assets	Liabilities	Equity
Economic resources	Sources of financing provided by creditors	Sources of financing provided by owners

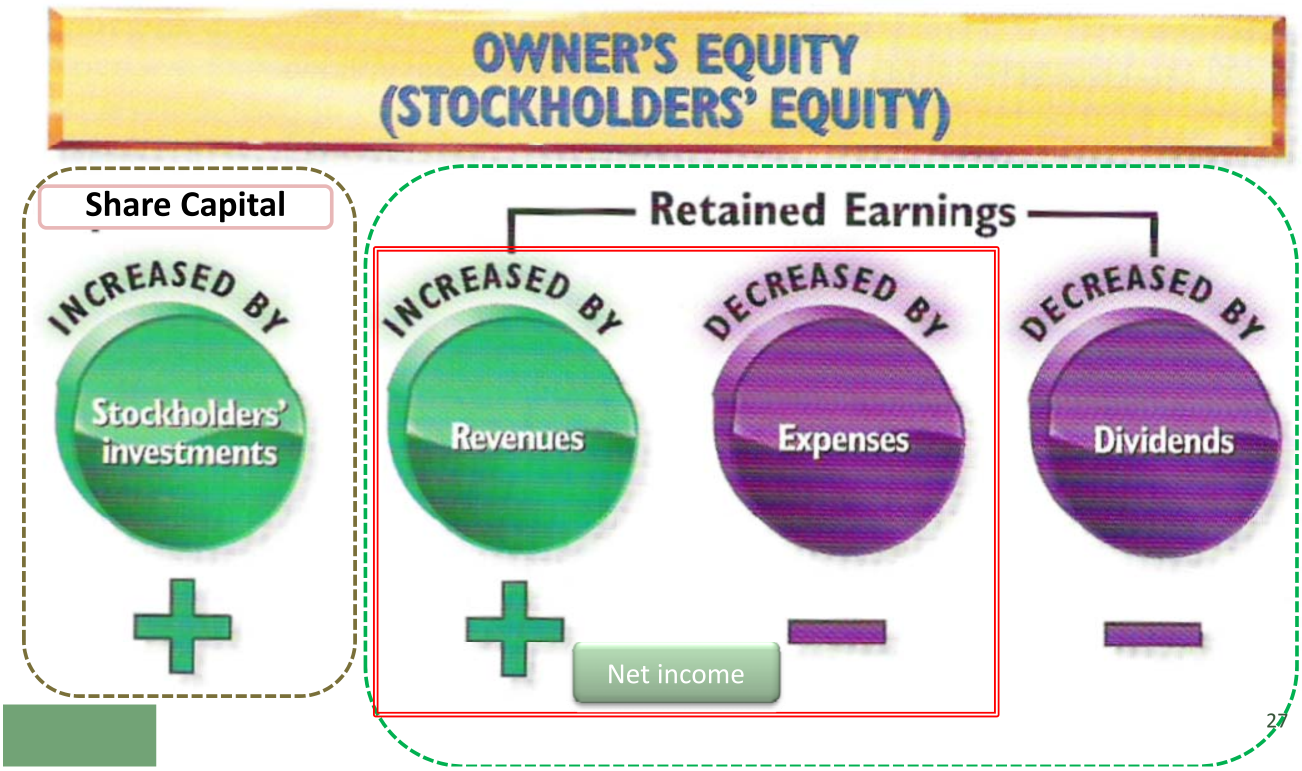
Statement of Financial Position - Equity

- **Assets**
  - probable future economic benefits owned by the business as a result of past transactions.
- **Liabilities**
  - probable debts or obligations of the business that result from past transactions and will be paid with assets or services in the future.
- **Equity**
  - the amount of financing provided by ***owners of the business*** and ***operations***.

    Share capital | Retained earnings
    - A – L = E
      - Residual interests:
        - » Remaining claim against the assets of a business, after the liabilities have been de
      - Net assets:
        - » Assets net of liabilities

Shareholders or shareholders

Changes in Equity



Statement of Financial Position reports the amount of assets, liabilities, and shareholders' equity of an accounting entity at a point in time.

STATEMENTS OF FINANCIAL POSITION

Heading:
1. Company Name
2. Statement Title
3. Specific Date
4. Unit measure

PRESIDENT BAKERY PUBLIC COMPANY LIMITED

As at 31 December 2011 and 2010

(Unit: Baht)

Assets: Probable future economic benefits owned by the entity as a result of past transactions.

Current assets: Assets that will be used or turned into cash within one year or one operating cycle, whichever is longer.

	NOTE	SEPARATE FINANCIAL STATEMENTS 2011	2010
Assets			
Current assets			
Cash and cash equivalents	8	596,264,070	385,066,986
Trade and other receivables	9, 11	709,111,568	531,559,671
Inventories	10	150,712,606	140,930,621
Other current assets		10,875,880	12,631,424
Total current assets		1,466,964,124	1,070,188,702

Additional details

STATEMENTS OF FINANCIAL POSITION

PRESIDENT BAKERY PUBLIC COMPANY LIMITED

As at 31 December 2011 and 2010

(Unit: Baht)

	NOTE	SEPARATE FINANCIAL STATEMENTS 2011	2010
Non-current assets			
Investment in joint venture	12	5,850,000	5,850,000
Other long-term investment	13	15,000,000	-
Property, plant and equipment	14	2,786,147,285	2,660,925,587
Advance payments for purchase of assets		29,022,722	15,347,413
Intangible assets	15	805,771	1,294,434
Leasehold rights	16	1,996,354	2,323,734
Other non-current assets		6,356,402	6,541,253
Total non-current assets		2,845,178,534	2,692,282,421
Total assets		4,312,142,658	3,762,471,123

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

PRESIDENT BAKERY PUBLIC COMPANY LIMITED

As at 31 December 2011 and 2010

(Unit: Baht)

	NOTE	SEPARATE FINANCIAL STATEMENTS 2011	2010
Liabilities and shareholders´ equity			
Current liabilities			
Bank overdrafts	17	78	-
Trade and other payables	11, 18	608,881,454	591,665,451
Current portion of liabilities under finance lease agreements	11, 19	68,260,107	52,180,486
Corporate income tax payable		67,060,015	68,351,203
Accrued expenses		152,668,527	125,345,711
Other current liabilities		20,386,721	16,828,265
Total current liabilities		917,256,902	854,371,116

Current liabilities: Short-term obligations that will be paid in cash (or other assets) within one year or one operating cycle, whichever is longer.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

PRESIDENT BAKERY PUBLIC COMPANY LIMITED

As at 31 December 2011 and 2010

(Unit: Baht)

	NOTE	SEPARATE FINANCIAL STATEMENTS 2011	SEPARATE FINANCIAL STATEMENTS 2010
Non-current liabilities			
Liabilities under finance lease agreements -			
net of current portion	11, 19	83,586,175	77,410,516
Long-term loans from directors	11, 20	79,646,619	72,795,970
Long-term loans from employees	20	43,583,378	47,836,707
Provision for long-term employee benefits	21	33,976,079	-
Other non-current liabilities		876,201	535,907
Total non-current liabilities		241,668,452	198,579,100
Total liabilities		1,158,925,354	1,052,950,216

Liabilities: Probable debts or obligations of the entity that result from past transactions, which will be paid with assets or services.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

PRESIDENT BAKERY PUBLIC COMPANY LIMITED

As at 31 December 2011 and 2010

(Unit: Baht)

A = L + E

	NOTE	SEPARATE FINANCIAL STATEMENTS 2011	SEPARATE FINANCIAL STATEMENTS 2010
Shareholders' equity			
Share capital	22		
Registered			
450,000,000 ordinary shares of Baht 1 each			
(2010: 45,000,000 ordinary shares of			
Baht 10 each)		450,000,000	450,000,000
Issued and fully paid-up			
450,000,000 ordinary shares of Baht 1 each			
(2010: 45,000,000 ordinary shares of			
Baht 10 each)		450,000,000	450,000,000
Share premium		674,379,513	674,379,513
Retained earnings			
Appropriated - statutory reserve	23	45,000,000	45,000,000
Unappropriated		1,983,837,791	1,540,141,394
Total shareholders' equity		3,153,217,304	2,709,520,907
Total liabilities and shareholders' equity		4,312,142,658	3,762,471,123

share-related accounts

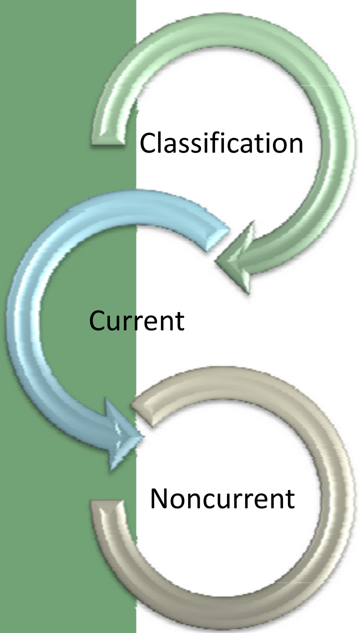
Retained earnings: Cumulative earnings of a company that are not distributed to the owners and are reinvested in the business.

Statement of Financial Position -- Accounts

- **Accounts receivable**
  - amounts owed by customers from prior sales.
- **Inventories**
  - partial and completed but unsold product.
- **Plant and equipment**
  - factories and production machinery.
- **Land**
  - property on which factories are located.
- **Accounts payable**
  - amounts owed to suppliers for prior purchases.
- **Notes payable**
  - amounts owed on written debt contracts.
- **Share capital**
  - amounts invested in the business by shareholders.
- **Retained earnings**
  - past earnings not distributed to shareholders.

AC201 Fundamental Accounting

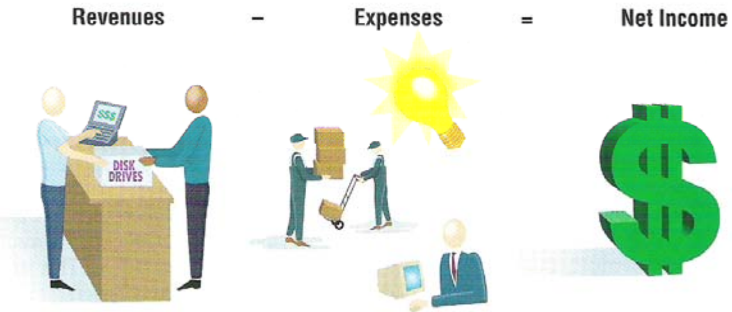
Classified Statement of Financial Position



- **An entity must normally present *a Classified Statement of Financial Position*, separating current and noncurrent assets and liabilities.**
  - Only if a presentation based on liquidity provides information that is reliable and more relevant may the current/noncurrent split be omitted.
  - In either case, if an asset (liability) category commingles amounts that will be received (settled) after 12 months with assets (liabilities) that will be received (settled) within 12 months, note disclosure is required that separates the longer-term amounts from the 12-month amounts.
    - <u>Current assets</u> are cash; cash equivalent; assets held for collection, sale, or consumption within the enterprise's normal operating cycle; or assets held for trading within the next 12 months.
      - All other assets are noncurrent.
    - <u>Current liabilities</u> are those to be settled within the enterprise's normal operating cycle or due within 12 months, or those held for trading, or those for which the entity does not have an unconditional right to defer payment beyond 12 months.
      - Other liabilities are noncurrent.

Statement of Comprehensive Income

Statement of Comprehensive Income reports *results of the operations* (net income earned) of a business for a *period of time*.



Revenues & Gains - Expenses & Losses = Net Income

Performance is the ability of an enterprise to earn a profit on the resources that have been invested in it.

Information about the amounts and variability of profits helps in forecasting future cash flows from the enterprise's existing resources and in forecasting potential additional cash flows from additional resources that might be invested in the enterprise.

Definitions of the elements relating to performance

Income

- **Income is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.**
  - Revenue arises in the course of the ordinary activities of an enterprise and is referred to by a variety of different names including sales, fees, interest, dividends, royalties and rent.
  - Gains represent other items that meet the definition of income and may, or may not, arise in the course of the ordinary activities of an enterprise.

Expense

- **Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.**
  - Expenses that arise in the course of the ordinary activities of the enterprise include, for example, cost of sales, wages and depreciation.
  - Losses represent other items that meet the definition of expenses and may, or may not, arise in the course of the ordinary activities of the enterprise.

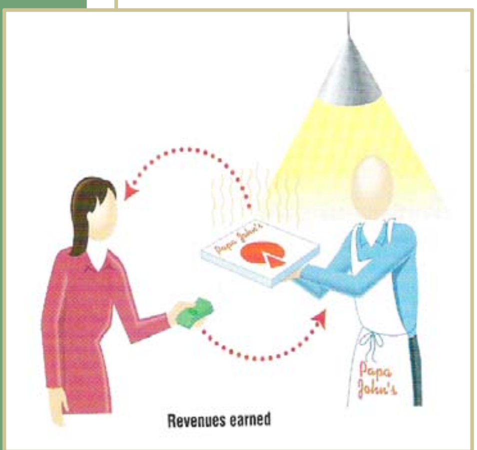
Cash Basis Accounting VS Accrual Basis Accounting

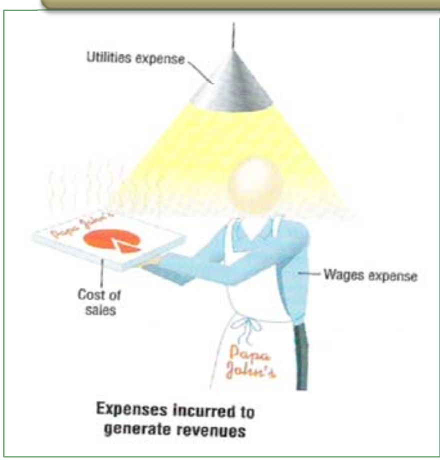
- **Cash basis accounting records *revenue when cash is received* and *expenses when cash is paid*.**
- **Accrual basis accounting records *revenues when earned* and *expenses when incurred*, regardless of the timing of cash receipts or payments.**
  - Revenue principle:
    - Revenues are recognized when goods or services are delivered, there is evidence of an arrangement for customer payment, the price is fixed or determinable, and collection is reasonably assured.
      - Revenues
        - » Increases in assets or settlements of liabilities from ongoing operations.
      - Expenses
        - » Decreases in assets or increases in liabilities from ongoing operations incurred to generate revenues during the period.

Matching Principle

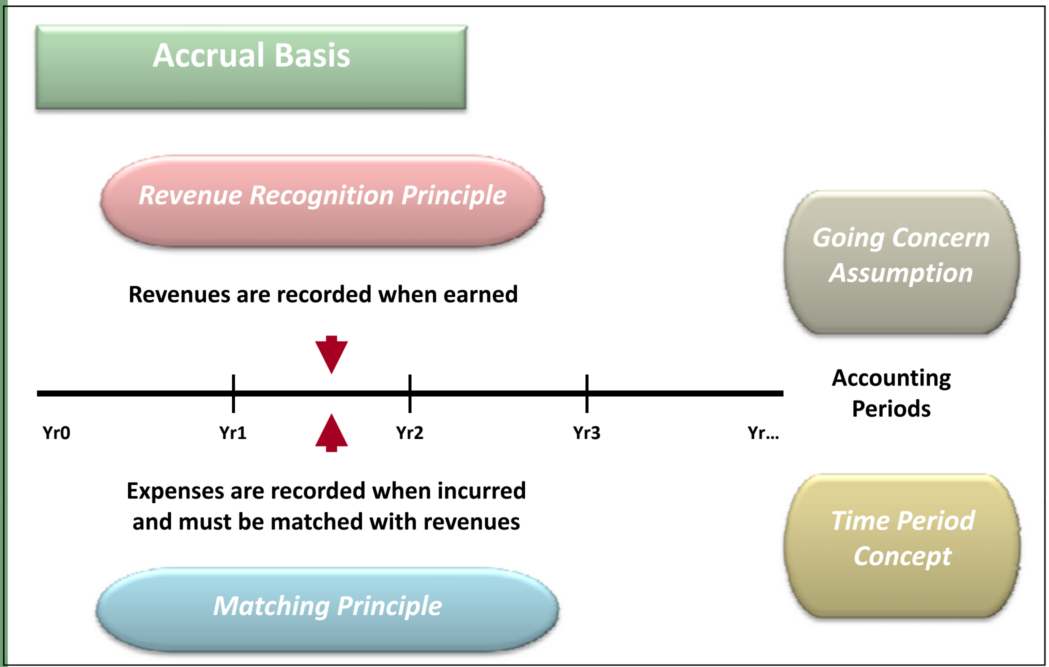
- **Matching Concept:**
  - The concept that all costs and expenses incurred in generating revenues must be recognized in the same reporting period as the related revenues.

Matching Principle



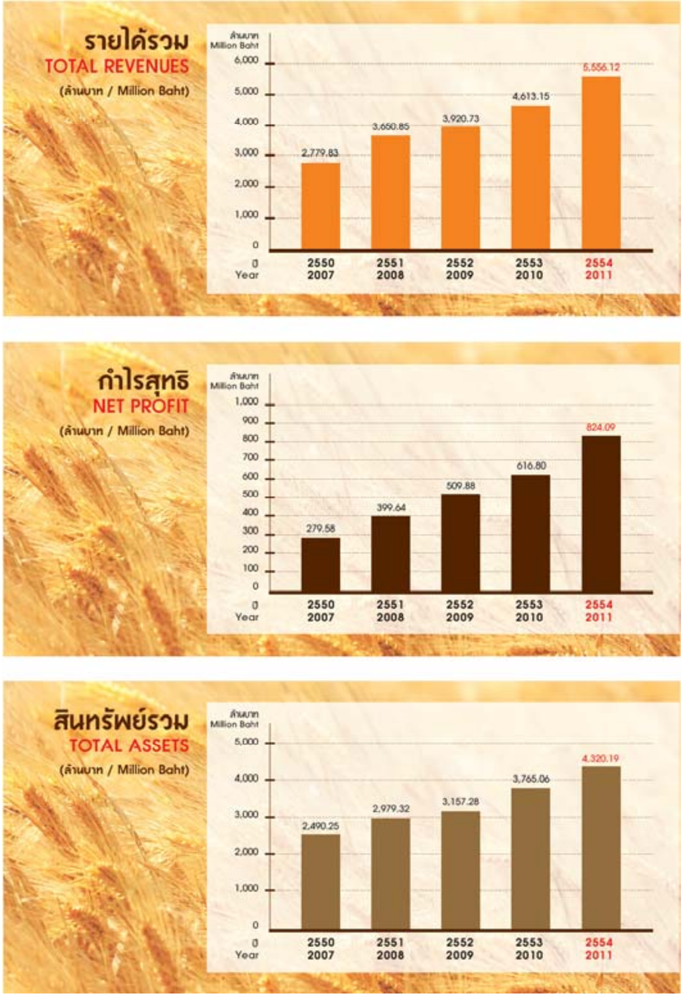


Accounting Framework

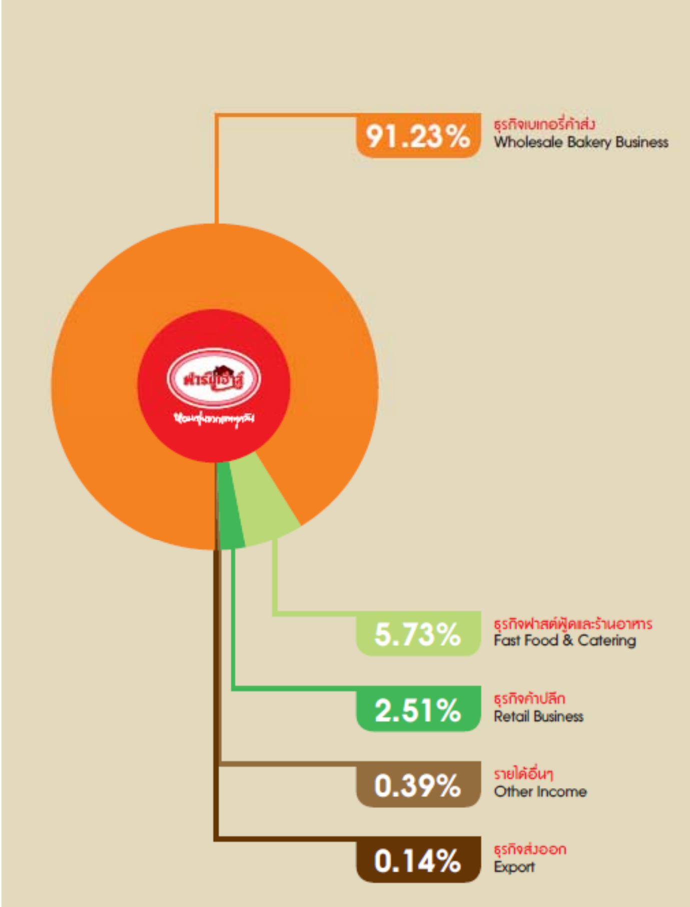


Accounting Framework (Cont.)

- **Accrual-basis accounting**
  - A system of accounting in which revenues and expenses are recorded as they are earned and incurred, regardless of timing of cash receipts or payments.
- **Going concern assumption**
  - The idea that an accounting entity will have a continuing existence for the foreseeable future.
- **Revenue recognition principle**
  - The idea that revenues should be recorded when (1) the earnings process has been substantially completed and (2) cash has either been collected or collectibility is reasonably assured.
- **Time period concept**
  - The idea that the life of a business is divided into distinct and relative short time periods so that accounting information can be timely.



สัดส่วนรายได้ตามสายธุรกิจ ปี 2554
SALE MIX BY PRODUCT TYPES 2011



STATEMENTS OF COMPREHENSIVE INCOME

PRESIDENT BAKERY PUBLIC COMPANY LIMITED
For the years ended 31 December 2011 and 2010

Heading:
1. Company Name
2. Statement Title
3. Time period
4. Unit measure

Statement of comprehensive income reports profit or loss for the period and other comprehensive income of the accounting period.

Accounting period: The time period covered by the financial statements.

(Unit: Baht)

Revenues: Increases in assets or settlements of liabilities from ongoing operations.

Expenses: Decreases in assets or increases in liabilities from ongoing operations incurred to generate revenue during the period

	NOTE	SEPARATE FINANCIAL STATEMENTS 2011	2010
Profit or loss:			
Revenues			
Sales		5,534,200,359	4,596,386,529
Interest income		10,890,068	4,071,842
Other income		11,611,076	13,274,288
Total revenues		5,556,701,503	4,613,732,659
Expenses			
Cost of sales		3,422,985,498	2,804,137,759
Selling expenses		690,891,738	618,251,504
Administrative expenses		502,790,605	441,892,266
Total expenses		4,616,667,841	3,864,281,529

STATEMENTS OF COMPREHENSIVE INCOME

PRESIDENT BAKERY PUBLIC COMPANY LIMITED
For the years ended 31 December 2011 and 2010

(Unit: Baht)

	NOTE	SEPARATE FINANCIAL STATEMENTS 2011	2010
Profit before share of income from investment in joint venture, finance cost and corporate income tax		940,033,662	749,451,130
Share of income from investment in joint venture	12	-	-
Profit before finance cost and corporate income tax		940,033,662	749,451,130
Finance cost		(13,352,502)	(10,599,473)
Profit before corporate income tax		926,681,160	738,851,657
Corporate income tax		(108,070,941)	(122,735,119)
Profit for the year		818,610,219	616,116,538

Revenues
-Expenses
= Net income or Profit or loss for the period

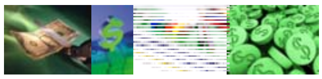
STATEMENTS OF COMPREHENSIVE INCOME

PRESIDENT BAKERY PUBLIC COMPANY LIMITED

For the years ended 31 December 2011 and 2010

(Unit: Baht)

	NOTE	FINANCIAL STATEMENTS IN WHICH THE EQUITY METHOD IS APPLIED		SEPARATE FINANCIAL STATEMENTS	
		2011	2010	2011	2010
Profit for the year		824,086,858	616,805,326	818,610,219	616,116,538
Other comprehensive income:					
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		824,086,858	616,805,326	818,610,219	616,116,538
Earnings per share	25				
Basic earnings per share		1.83	1.37	1.82	1.37



Statement of Comprehensive Income -- Accounts

- **Sales revenue**
  - amounts earned from the sale of goods or services during the period.
- **Cost of goods sold**
  - the cost to produce the products sold this period.
- **Selling, general and administrative**
  - operating expenses not directly related to production.
- **Interest expense**
  - the cost of using borrowed funds.
- **Income tax expense**
  - income taxes on current period’s pretax income.

Statement of Changes in Equity

Statement of Changes in Equity reports the ***changes in in all equity accounts*** during a ***period of time.***

- Net income
  - ↑Retained earnings
- Dividends
  - ↓Retained earnings

Beg. B/L of R/E | +Net income | - Dividends | = | End. B/L of R/E

Changes in Equity

Equity			
Share capital [SC+, E+]	Retained earnings [RE+, E+]		
+E	Net income [NI+, RE+, E+]		Dividends [DIV+, RE-,E-]
	Revenues [REV+, NI+, RE+, E+]	Expenses [EXP+, NI-, RE-, E-]	-E
	+E	-E	

R/E, Beg. B/L + NI - Div
= R/E, End. B/L

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

shareholders' Equity: The financing provided by the owners and the operations of the business.

Heading:
1. Company Name
2. Statement Title
3. Time period
4. Unit measure

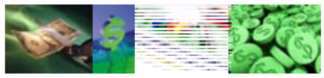
PRESIDENT BAKERY PUBLIC COMPANY LIMITED
For the years ended 31 December 2011 and 2010

(Unit: Baht)

Separate financial statements

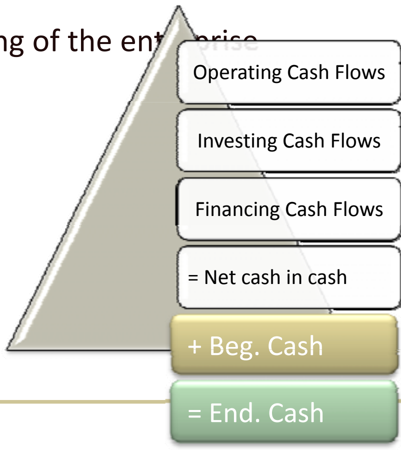
	Issued and paid-up share capital	Share premium	Retained earnings: Appropriated - statutory reserve	Retained earnings: Unappropriated	Total
Balance as at 31 December 2009	450,000,000	674,379,513	45,000,000	1,197,174,856	2,366,554,369
Dividend payments (Note 26)	-	-	-	(273,150,000)	(273,150,000)
Total comprehensive income for the year	-	-	-	616,116,538	616,116,538
Balance as at 31 Decemberr 2010	450,000,000	674,379,513	45,000,000	1,540,141,394	2,709,520,907
Balance as at 31 December 2010 - as previously reported	450,000,000	674,379,513	45,000,000	1,540,141,394	2,709,520,907
Cumulative effect of changes in accounting policies relating to employee benefits (Note 5)	-	-	-	(31,563,822)	(31,563,822)
Balance as at 31 December 2010 - as restated	450,000,000	674,379,513	45,000,000	1,508,577,572	2,677,957,085
Dividend payments (Note 26)	-	-	-	(343,350,000)	(343,350,000)
Total comprehensive income for the year	-	-	-	818,610,219	818,610,219
Balance as at 31 Decemberr 2011	450,000,000	674,379,513	45,000,000	1,983,837,791	3,153,217,304

AC201 Fundamental Accounting



Statement of Cash Flows

- **Statement of cash flows shows an entity's cash inflows (receipts) and outflows (payments) during a period of time.**
  - Cash Flows from ***Operating*** Activities
    - Cash flows directly related to earning income
  - Cash Flows from ***Investing*** Activities
    - Cash flows related to the acquisition or sale of productive assets
  - Cash Flows from ***Financing*** Activities
    - Cash flows related to the financing of the enterprise



STATEMENTS OF CASH FLOWS

PRESIDENT BAKERY PUBLIC COMPANY LIMITED

For the years ended 31 December 2011 and 2010

Statement of cash flows reports inflows and outflows of cash during the accounting period in the categories of operating, investing, and financing.

Heading:
1. Company Name
2. Statement Title
3. Time period
4. Unit measure

(Unit: Baht)

	SEPARATE FINANCIAL STATEMENTS 2011	SEPARATE FINANCIAL STATEMENTS 2010
Cash flows from operating activities		
Profit before tax	926,681,160	738,851,657
Adjustments to reconcile profit before tax to net		
cash provided by (paid from) operating activities:		
Depreciation and amortisation	411,071,194	375,694,250
Gain from disposals of property, plant and equipment	(3,872,902)	(1,714,952)
Share of income from investment in joint venture	-	-
Unrealised loss on exchange	259,065	241,898
Provision for long term employee benefits	4,030,557	-
Allowance for doubtful accounts	94,966	-
Interest income	(10,890,068)	(4,071,842)
Dividend income	(585,000)	(585,000)
Interest expenses	11,574,920	9,162,712

STATEMENTS OF CASH FLOWS

PRESIDENT BAKERY PUBLIC COMPANY LIMITED

For the years ended 31 December 2011 and 2010

Cash flows from operating activities: Cash inflows and outflows directly related to earnings from normal operations.

(Unit: Baht)

	SEPARATE FINANCIAL STATEMENTS 2011	SEPARATE FINANCIAL STATEMENTS 2010
Income from operating activities before changes in operating assets and liabilities	1,338,363,892	1,117,578,723
Decrease (increase) in operating assets		
Trade and other receivables	(177,637,529)	(77,492,414)
Inventories	(21,590,685)	(24,000,873)
Other current assets	1,755,544	(3,660,938)
Other non-current assets	184,851	(736,091)
Increase (decrease) in operating liabilities		
Trade and other payables	89,023,670	108,385,125
Other current liabilities	31,024,748	18,359,718
Other non-current liabilities	340,294	(69,244)
Provision for long-term employee benefits	(1,618,300)	-
Cash from operating activities	1,259,846,485	1,138,364,006
Cash paid for interest expenses	(11,574,920)	(9,162,712)
Cash paid for corporate income tax	(109,362,129)	(113,359,730)
Net cash from operating activities	1,138,909,436	1,015,841,564

STATEMENTS OF CASH FLOWS (CONTINUED)

PRESIDENT BAKERY PUBLIC COMPANY LIMITED

For the years ended 31 December 2011 and 2010

Cash flows from investing activities: Cash inflows and outflows related to the acquisition or sales of productive facilities and investments in securities or other companies.

(Unit: Baht)

	SEPARATE FINANCIAL STATEMENTS	
	2011	**2010**
Cash flows from investing activities		
Purchase of other long-term investment	(15,000,000)	-
Acquisition of property, plant and equipment	(522,266,666)	(399,154,065)
Proceeds from disposals of property,		
plant and equipment	4,813,542	3,950,011
Increase in advance payments for purchase of assets	(13,675,309)	(15,347,413)
Increase in intangible assets	(125,899)	(270,000)
Interest income	10,890,068	4,071,842
Dividend income	585,000	585,000
Net cash used in investing activities	(534,779,264)	(406,164,625)

STATEMENTS OF CASH FLOWS (CONTINUED)

PRESIDENT BAKERY PUBLIC COMPANY LIMITED

For the years ended 31 December 2011 and 2010

Cash flows from financing activities: Cash inflows and outflows related to external sources of financing (owners and creditors) for the enterprise.

(Unit: Baht)

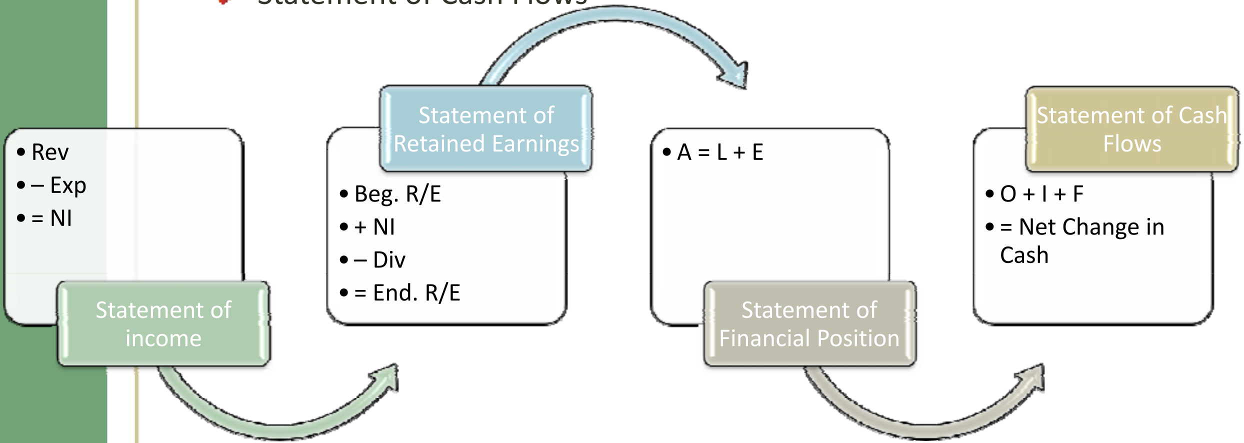
	SEPARATE FINANCIAL STATEMENTS	
	2011	**2010**
Cash from financing activities		
Increase (decrease) in bank overdrafts	78	(486,841)
Decrease in liabilities under finance lease agreements	(52,180,486)	(45,503,644)
Increase in long-term loans from directors	6,850,649	12,638,431
Decrease in long-term loans from employees	(4,253,329)	(4,055,012)
Dividend payments	(343,350,000)	(273,150,000)
Net cash used in financing activities	(392,933,088)	(310,557,066)
Net increase in cash and cash equivalents	211,197,084	299,119,873
Cash and cash equivalents at beginning of year	385,066,986	85,947,113
Cash and cash equivalents at end of year	596,264,070	385,066,986

CFO
+CFI
+CFF
=Δ in Cash B/L
+ Cash, Beg. B/L
= Cash, End. B/L

Cash: Money or any instrument that banks will accept for deposit and immediate credit to the company's account.

Financial Statements Preparation

- **Financial Statements will be prepared in this order:**
  - Statement of income
  - Statement of Retained Earnings/ Statement of Changes in Owners' Equities
  - Statement of Financial Position
  - Statement of Cash Flows



Financial Statement	***Purpose: To report . . .***	***Setup***
1. Balance sheet (also called the statement of financial position)	. . . what the business owns *at a particular point in time* and whether the financing for these items came from creditors or stockholders.	Assets = Liabilities + Stockholders' Equity
2. Income statement (also called the statement of income, statement of operations, statement of profit and loss)	. . . what the business has earned from its operating activities *over a period of time.*	Revenues − Expenses = Net Income
3. Statement of retained earnings	. . . the accumulated earnings retained in the business *over a period of time.*	Beginning Retained Earnings + Net Income (this period) − Dividends Declared (this period) = Ending Retained Earnings
4. Statement of cash flows	. . . the cash received and paid out by the business *over a period of time.*	Operating Activities Cash Flow + Investing Activities Cash Flow + Financing Activities Cash Flow = Change in Cash Balance + Beginning Cash Balance = Ending Cash Balance

Relationships among Financial Statements

Financial statements are based on the same underlying transactions.

Balance Sheet, 12/30/98 (in millions)

Cash	$ 45.7
All other assets	11,343.9
Liabilities	$ 8,307.5
Capital stock	1,157.1
Retained earnings	1,925.0

Statement of Cash Flows, 12/28/99

Operating activities	$ 1,488.4
Investing activities	(2,064.3)
Financing activites	636.4
Net increase in cash	$ 60.5
Beginning cash	45.7
Ending cash	$ 106.2

Income Statement, 12/28/99

Revenues	$28,898.2
Expenses	27,927.3
Net income	$ 970.9

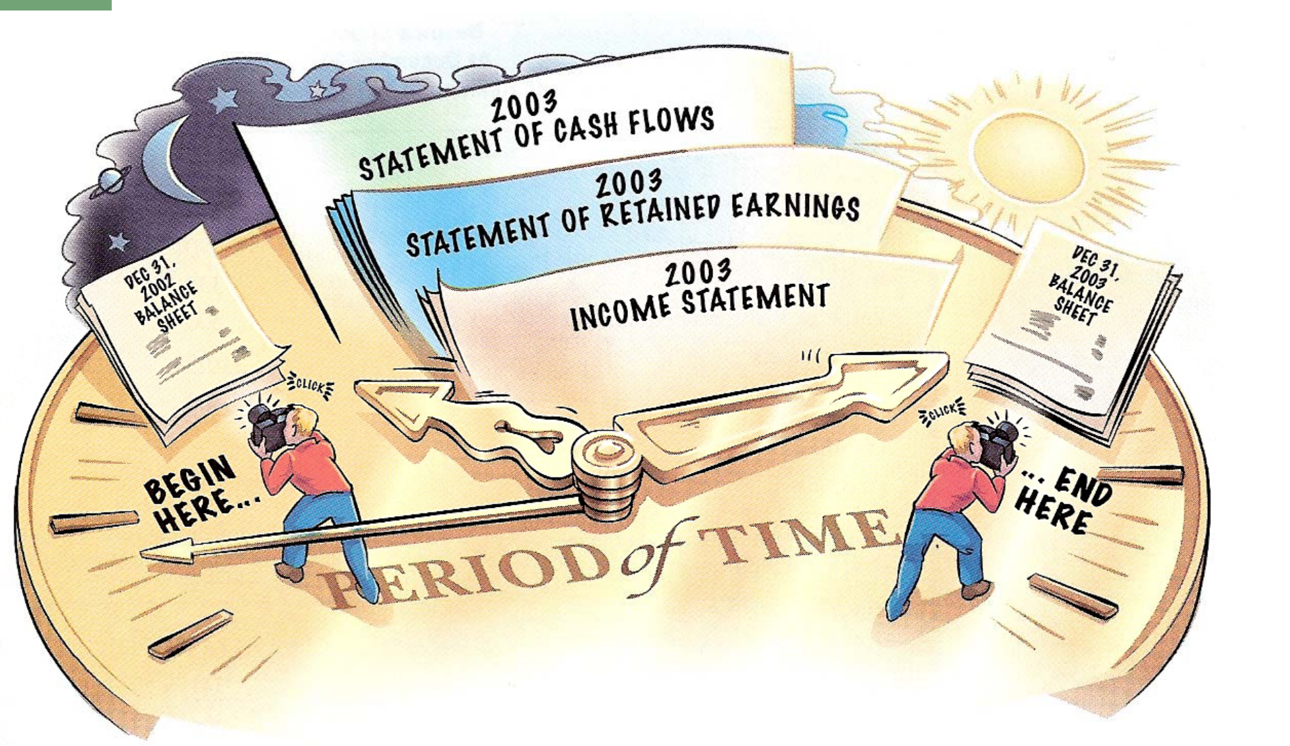
Statement of Retained Earnings, 12/28/99

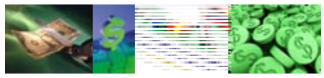
Retained earnings, 12/30/98	$1,925.0
Net income	970.9
Dividends	0
Retained earnings, 12/28/99	$2,895.9

Balance Sheet, 12/28/99

Cash	$ 106.2
All other assets	14,794.1
Liabilities	$10,814.5
Capital stock	1,189.9
Retained earnings	2,895.9

Relationships among Financial Statements (Cont.)





Notes to Financial Statements

- **Notes provide supplemental information about the financial condition of a business.**
  - The information presented includes …
    - Describe accounting rules applied.
    - Present additional detail about an item on the financial statements.
    - Provide additional information about an item not on the financial statements.