Starter Seminars

Introduction to Finance

November 2019

VRIJE UNIVERSITEIT BRUSSEL

Prof. dr. Marie-Laure Vandenhaute

Who, when, where?

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3 sessions

• Tuesday November 19	18.15u – 21.00u	Promotion Room "Aloïs Gerlo" (D 2.01)
• Tuesday November 26	18.15u – 21.00u	Promotion Room "Aloïs Gerlo" (D 2.01)
• Tuesday December 3	18.15u – 21.00u	Promotion Room "Aloïs Gerlo" (D 2.01)

Course Outline

I. Financial Accounting

II. Tax Basics

III. Management Accounting

Course Outline

I. Financial Accounting

1. Role of Accounting
2. Legal Framework
3. Understanding Financial Statements
4. Accrual Accounting
5. Generally Accepted Accounting Principles (GAAP)
6. Selected Topics
7. Financial Statement Analysis

II. Tax Basics

III. Management Accounting

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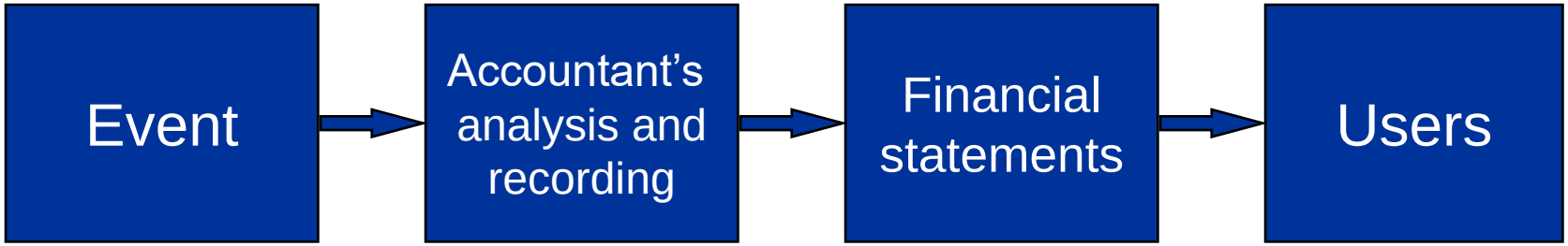
1. Role of Accounting

Language of Business

Definition

Accounting - a process of identifying, recording, summarizing, and reporting economic information (transactions) to decision makers in the form of financial statements



1. Role of Accounting

Stakeholders

Accounting information is useful to anyone who makes decisions that have economic results

= parties who are interested in the activities of the business because they're affected by them (stakeholders / users)

- *Investors / Shareholders* want to know if a company is a good investment with adequate returns
- *Creditors (banks/suppliers)* want to know if they should extend credit, how much to extend, and for how long
- *Clients* want to know if they can rely on proper after sales service.
- *Management* wants to know if they perform well
- *Others* (e.g. employees, unions, competitors…)
- *Government* (*tax* authorities; National statistics)

1. Role of Accounting

Accounting traditions – Some history…

2 important accounting movements:

Anglo-Saxon

Continental Europe

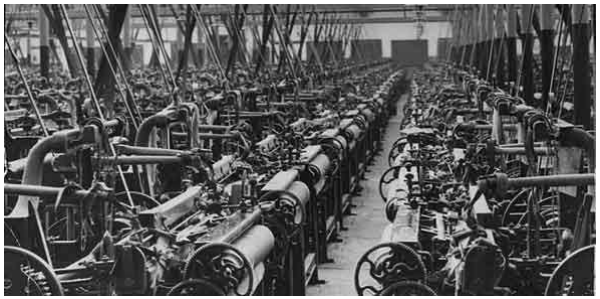
https://www.lifepersona.com/what-are-the-anglo-saxon-countries

1. Role of Accounting

Accounting traditions – Anglo-Saxon: Driven by the market

https://www.lifepersona.com/what-are-the-anglo-saxon-countries

1750… Industrial revolution



Required extra financing needs

To inform investors

Financial reports *"common law"*

1. Role of Accounting

Accounting traditions – Anglo-Saxon: Driven by the market

IFRS®

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Home < Issued Standards < IFRS Standards < Conceptual Framework for Financial Reporting

Conceptual Framework for Financial Reporting

Follow

Objective, usefulness and limitations of general purpose financial reporting

1.2 The objective of general purpose financial reporting[3] is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.[4] Those decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit.

1.5 Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial reports for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial reports are directed.[5]

1.10 Other parties, such as regulators and members of the public other than investors, lenders and other creditors, may also find general purpose financial reports useful. However, those reports are not primarily directed to these other groups.

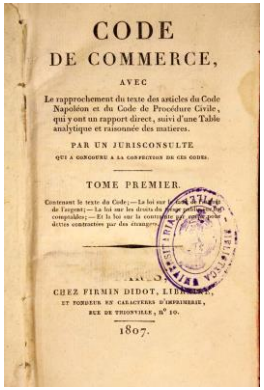
International Accounting Standards Board®

1. Role of Accounting

Accounting traditions – Continental Europe: Rules by the government

France
1673 - 1807…

Large number of bankruptcies



CODE
DE COMMERCE,
AVEC
Le rapprochement du texte des articles du Code Napoléon et du Code de Procédure Civile, qui y ont un rapport direct, suivi d'une Table analytique et raisonnée des matières.
PAR UN JURISCONSULTE
QUI A CONCOURU A LA CONFECTION DE CES CODES.
TOME PREMIER.
CHEZ FIRMIN DIDOT, LIBRAIRE,
ET FONDEUR EN CARACTÈRES D'IMPRIMERIE,
RUE DE THIONVILLE, N° 10.
1807.

Annual 'inventory'
Balance sheet

Inform/protect creditors

Financial reports *"code/civil law"*

1. Role of Accounting

The Concept of Accounting Conservatism

Anglo-Saxon

Continental Europe

Anglo-Saxon

More equity-oriented

and

Neutral

(fair value)

Table 5.6 Countries classified by strength of equity markets

Stronger	*Weaker*
United States	France
United Kingdom	Spain
Netherlands	Germany
Sweden	Italy
Australia	Belgium
Hong Kong	Portugal

Continental Europe

More debt-focused

and

Conservative

(historical price)

IAS/IFRS

European Directives
National GAAP (BE-GAAP, French GAAP, ...)

1. Role of Accounting

Financial versus management accounting

The **major distinction** between financial and management accounting is the **users of the information:**

Financial Accounting focuses on the specific needs of decision makers **external** to the organization, such as stockholders, suppliers, banks, and government agencies (summarized information) to help them assess the firm's financial performance.

> Externally disseminated financial statements have to be drawn up by reference to a set of accounting rules. These might be different depending on the jurisdiction.

Management Accounting serves **internal** users, such as top executives, management, and administrators within organizations (detailed information) to help them operate the business.

1. Role of Accounting

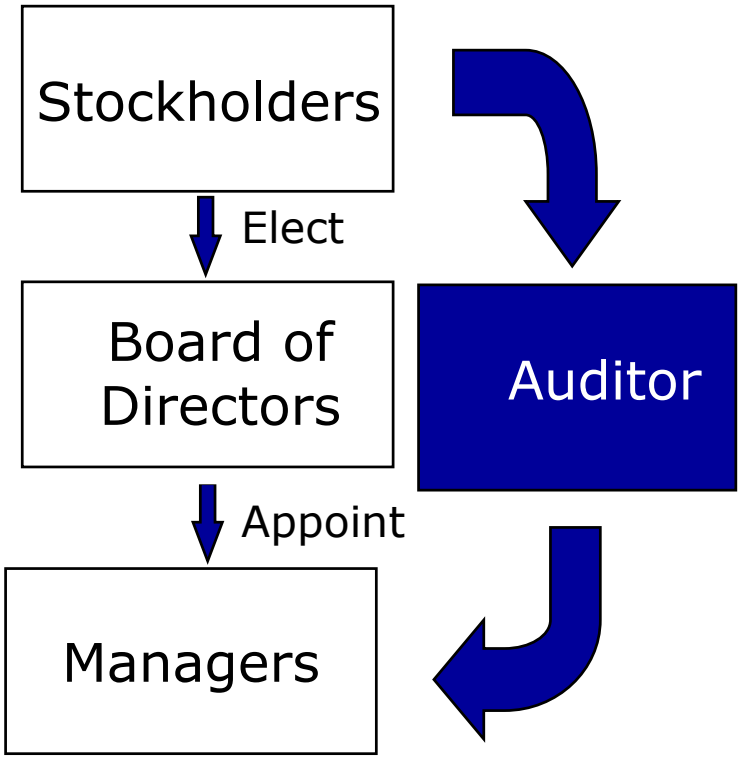
Accounting versus Auditing

Accounting: a process of identifying, recording, summarizing, and reporting economic information to decision makers in the form of financial statements.

Auditing: a process of examining transactions and financial statements.

1. Role of Accounting

Accounting versus Auditing



- **Corporate management** is responsible for the preparation of the financial statements. The **board of directors** is the link between the **owners** (**stockholders**) and the actual managers. The board has the responsibility to ensure that management acts in the interests of the stockholders.

- An other way to solve the credibility problem is to introduce an **honorable, expert third party**.

  - ✓ The **auditor** examines the information that managers use to prepare the financial statements and provides assurances about the credibility of the statements (fair presentation and compliance with IFRS)

    ➔unqualified opinion
    ➔qualified opinion
    ➔adverse opinion

  - ✓ These assurances should make the investors more comfortable about using the information to guide their investing activity.

Course Outline

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II. Tax Basics

III. Management Accounting

2. Legal Framework

Belgian Accounting legislation

- *Accounting obligations of European Member States for companies based on European Directives*

Europe ***Accounting Directive (2013/34/EU)***

→ Implemented in Belgian legislation by Royal Decree on 18 December 2015 and entered into force on 1 January 2016

Belgium

1. **Code of Economic Law** (Book III, Title 3, Chapter 2) *requires a.o. that each enterprise must have a bookkeeping system in accordance with the rules of double-entry bookkeeping*

2. **Royal Decree of 21 October 2018** implementing Articles III.82 to III.95 of the Code of Economic Law *including a.o. the rules on keeping and preserving books and the minimum classification of the general chart of accounts*

3. **Code of Companies and Associations** *including o.a. provisions on the annual accounts of companies* (Act of 23 March 2019 (*Belgian Official Gazette* 4 April 2019) – step-by-step application as from 1 May 2019)

4. **Royal Decree of 21 April 2019** implementing the Code of Companies and Associations *including a.o. more detailed rules on the structure of the annual accounts and the valuation of the different items*

5. **Act of 20 September 1948** on the organization of the economy *requires companies with a work council to appoint an auditor*

- *Recommendations of the Accounting Principles Committee (Commissie Boekhoudkundige normen CBN – Commission des Normes Comptables CNC*

2. Legal Framework

Definition of 'enterprise' as from the Act of 15 April 2018 regarding the reform of Belgian enterprise law

- According to Belgian legislation, '**enterprises**' are required to have a bookkeeping system that corresponds with their size and nature

→ Let's take a look at the new definition of an enterprise:

- The Reform Act (entered into force on 1 November 2018) introduces a new definition of an **enterprise** (*onderneming*), applicable to all persons engaged in commercial activity and including **liberal professionals, the non-profit sector and the agricultural sector**

- This new definition aims to replace any references to **trader or merchant** (*handelaar*), **commercial company** (*handelsvennootschap*) and related concepts. Safe the exceptions provided by the law, **any individual** (self-employed), **partnership** (silent partnership, etc.) and **organization** (even non-profit ones such as associations and foundations not pursuing an economic purpose) must now be considered as 'enterprises' according to the law.

2. Legal Framework

Definition of 'enterprise' as from the Act of 15 April 2018 regarding the reform of Belgian enterprise law

- According to the new artikel I.1.1° of the Code on Economic Law (*Wetboek Economisch Recht*), an enterprise is engaged in commercial activity as:

1. a **natural person** who independently carries out a professional activity (this is in principle any self-employed person. Consequently this includes sole proprietorships (eenmanszaak), directors, practitioners of a liberal profession, artists, etc.);

2. a **legal person/entity** (*rechtspersoon*) (these are not only all companies, but also associations, foundations, even if they do not pursue an economic goal)

3. an **organization without legal personality** (these include partnerships)

→ De facto associations that do not make profit distributions to their members or to persons who exercise a decisive influence on the organization, are not enterprises

2. Legal Framework

A new Code of Companies and Associations

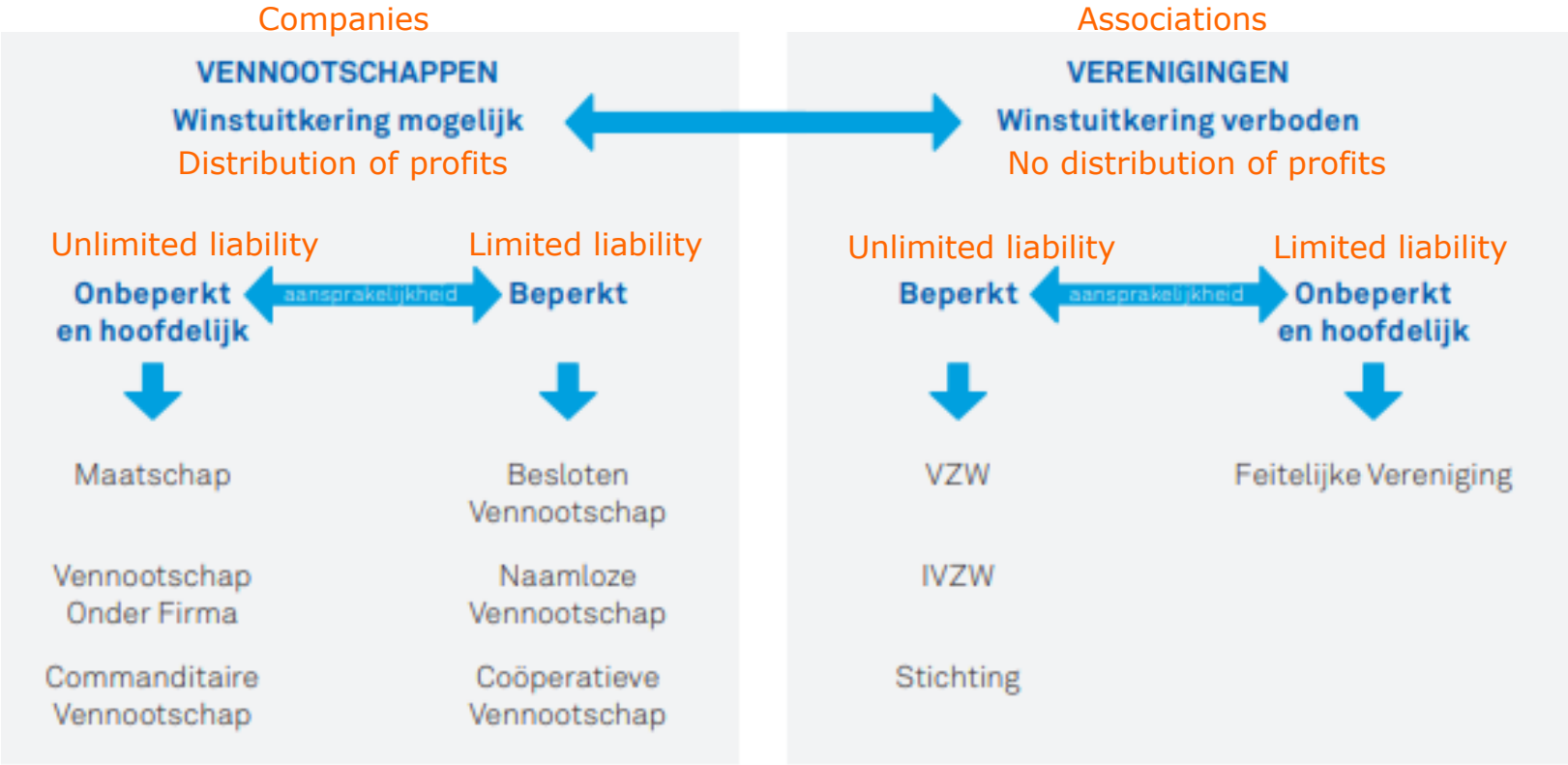
- On 28 February 2019, the Belgian Parliament approved a major modernisation of Belgian **company and association law**. The new CCA will gradually apply from 1 May 2019 onwards. *Simplification and flexibilisation* of the existing legislation were in this respect the most important guiding principles. By this reform, the Belgian government wants to create a framework which facilitates business and attracts foreign investors.

- The new CCA includes, as the name itself suggests, both **companies and associations**. The term **company will be defined differently:**

  - The main criterion of **distinction between a company and an association** will be the **intention to distribute profits**.
  - For a **company**, this means **the distribution of proceeds** (at least partially) **amongst the shareholders**,
  - whereas such **distribution is not permitted for associations**.
  - **Pursuing profitable activities or not becomes irrelevant under the new law**

2. Legal Framework

A new Code of Companies and Associations

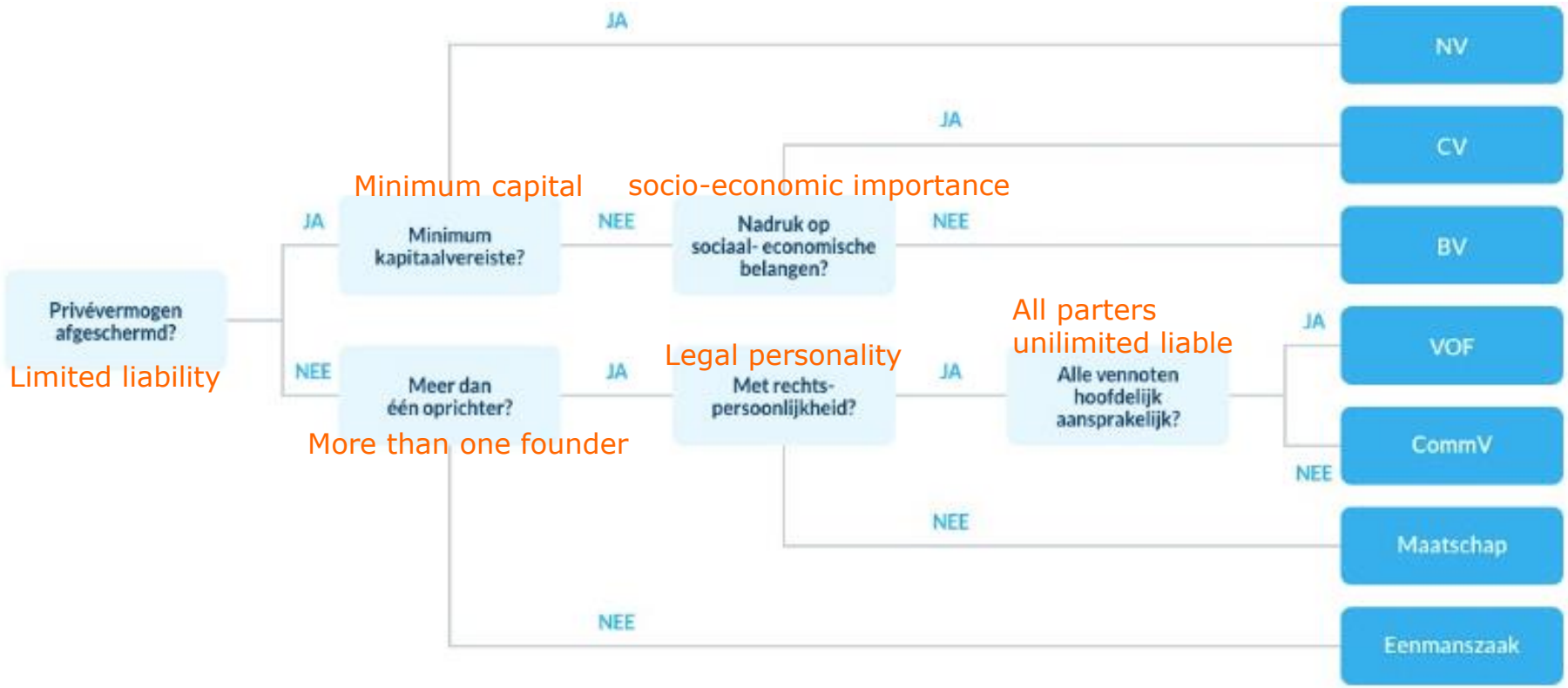


VZW's/IVZW's kunnen onbeperkt commerciële activiteiten uitoefenen (winstuitkeringsverbod rechtstreeks of onrechtstreeks blijft gelden). Deze onderscheiden zich van de vennootschappen doordat zij hun winst enkel mogen besteden aan hun belangeloos doel.

https://justitie.belgium.be/nl/themas_en_dossiers/vennootschappen_verenigingen_en_stichtingen/vennootschappen/vennootschap_1

2. Legal Framework

A new Code of Companies and Associations



2. Legal Framework

Start up a business

- You intend to develop your own professional business as a self-employed worker. Your first task will be to choose the **legal structure**

- **There are two options:**

  - As a natural/physical person:
  - one person business (*eenmanszaak*)
  - de facto association (*feitelijke vereniging*) (! Not considered as an enterprise)

  - As a legal person:
  - an association or a foundation (*vzw, ivzw, stichting*)
  - a company with (bv, nv, cv, vof, comm.v) or without legal personality (maatschap)

2. Legal Framework

Sole proprietorship versus company

Sole proprietorship

- Easy to set up
- The income of your business is personal income, which is taxed at the (high) progressive rates in the personal income tax.
- No clear separation between the individual's personal assets and the assets owned by the business
  → **Personal liability!**
- Simple Accounting

The Company

- A separate legal personality (except for the ordinary partnership '*maatschap*')
- More administrative and legal formalities and obligations
- Assets belonging to the company can be separated and assets belonging to the businesspersons
  → further distinction between **limited** and **unlimited liability** companies.
- Your company's income is taxed separately in the corporate income tax and you can optimise your personal income from the company.
- Mainly double-entry accounting

2. Legal Framework

One of the corporate formalities - Belgian minimum legal capital requirements by owners (in euro)

- **Sole proprietorship** : No minimum legal capital requirements
- The **standard legal form for companies**: **The limited liability company** (BV/SRL): **no longer any minimum capital** but:

  - The **founders must provide enough capital** from their own pocket **to conduct the envisaged activities (*toereikend aanvangsvermogen*)**, taking account of all financial means made available to the company (such as shareholder or bank loans).
  - There must be a **detailed financial plan**, the mandatory contents of which are laid down in the Code. This plan is not publicly available, but it can be consulted by the bankruptcy trustee in the event that the BV/SRL becomes insolvent within **three years** of its incorporation: **if the court finds that the founders clearly assembled insufficient means for normal operation of the BV/SRL for at least two years, the founders may be held liable for all or part of the uncovered liabilities**.

  - Distributions of profits can only take place after a double test is met, a **net assets test** and a **liquidity test**.

2. Legal Framework

One of the corporate formalities - Belgian minimum legal capital requirements by owners (in euro)

- **Public limited liabilty company** (NV/SA)
  - The minimum subscribed share capital amounts to €61,500. At least one-fourth of the total subscribed capital must be paid in upon incorporation, with a minimum of EUR 61,500.
  - Shareholders are only responsible/liable up to their own contribution
  - Must also have a financial plan

Example

NV			
Subscribed capital	61,500	150,000	500,000
Minimum paid up	61,500	61,500	125,000

1/4

2. Legal Framework

Belgian Accounting Law

- According to the Code on Economic Law **enterprises are required to have a bookkeeping system that corresponds with their size and nature**.

- The scope of application of the accounting requirements is aligned with the new enterprise definition. **Any natural person** carrying out a professional activity on a self-employed basis in Belgium, **associations and foundations**, and **organisations without legal personality** are now also **subject to the accounting obligations** imposed by Book III of the Code on Economic Law.

- **Any 'enterprise' has to comply with the bookkeeping obligations imposed by Belgian accounting law** and to file its annual accounts with the Belgian National Bank (being noted that some enterprises are *exempt* from this last obligation).

- The law intends to introduce some proportionality as small enterprises are *exempt* from part of these obligations (simplified accounting is allowed).

2. Legal Framework

Belgian Accounting Law

- **Simple Accounting (Cash Accounting)**
  - Purchases, Sales and Financial diary and an inventory – no standard form – Not to be deposited
    - Natural persons carrying out a professional activity on a self-employed basis
    - VOF and CommV
    - Ordinary partnerships (*Maatschappen*)
    - Only possible in case turnover <0,5Mn, otherwise double-entry accounting
- **Double Entry Accounting**
  - Balance sheet, Income statement and Notes - standard form – To be deposited and made public
    - NV, BV, CV
- **Specific Accounting Rules**
    - a.o. associations, banks, insurance companies, hospitals,…

2. Legal Framework

Belgian Accounting Law

- Financial Statements of entities with legal personality:

  1. Balance Sheet
  2. Income Statement
  3. Notes

  } Content & lay-out are fixed according to a standard format

- The CCA provides standard models of the annual accounts. A distinction must be made between kapitaalvennootschappen (capital companies) (NV) and kapitaalloze vennootschappen (no-capital companies) (BV and CV). For both types of companies, three standard models apply depending on the size of the company:

  - **Complete** standard form for 'large' companies and listed companies (VOL)
  - **Abbreviated** standard form voor de 'small' companies (VKT)
  - **Micro** standard form for 'micro'undertakings (MIC)

https://www.nbb.be/nl/balanscentrale/opmaking/modellen-van-de-jaarrekening
They will be accepted for the filing of annual accounts, in PDF format as from **1 January 2020**.

2. Legal Framework

Belgian Accounting Law

2019

40				1	EUR		VOL 1
NAT.	Datum neerlegging	Nr.	Blz.	E.	D.		

JAARREKENING EN ANDERE OVEREENKOMSTIG HET WETBOEK VAN VENNOOTSCHAPPEN NEER TE LEGGEN DOCUMENTEN

IDENTIFICATIEGEGEVENS

NAAM: .....

.....

Rechtsvorm: .....

Adres: ..... Nr.: ..... Bus: .....

Postnummer: ..... Gemeente: .....

Land: .....

Rechtspersonenregister (RPR) - Rechtbank van Koophandel van .....

Internetadres[1]: http://www. .....

Ondernemingsnummer [ ]

DATUM [/ /] van de neerlegging van de oprichtingsakte OF van het recentste stuk dat de datum van bekendmaking van de oprichtingsakte en van de akte tot statutenwijziging vermeldt.

2020

40				1	EUR		VOL-kap 1
NAT.	Datum neerlegging	Nr.	Blz.	E.	D.		

JAARREKENING EN ANDERE OVEREENKOMSTIG HET WETBOEK VAN VENNOOTSCHAPPEN EN VERENIGINGEN NEER TE LEGGEN DOCUMENTEN

IDENTIFICATIEGEGEVENS (op datum van neerlegging)

With capital (kapitaalvennootschap)

NAAM: .....

.....

Rechtsvorm: .....

Adres: ..... Nr.: ..... Bus: .....

Postnummer: ..... Gemeente: .....

Land: .....

Rechtspersonenregister (RPR) - Ondernemingsrechtbank van .....

Internetadres[1]: http://www. .....

Ondernemingsnummer [ ]

DATUM [/ /] van de neerlegging van het recentste stuk dat de datum van bekendmaking van de oprichtingsakte en van de akte tot statutenwijziging vermeldt.

43				1	EUR		VOL-inb 1
NAT.	Datum neerlegging	Nr.	Blz.	E.	D.		

JAARREKENING EN ANDERE OVEREENKOMSTIG HET WETBOEK VAN VENNOOTSCHAPPEN EN VERENIGINGEN NEER TE LEGGEN DOCUMENTEN

IDENTIFICATIEGEGEVENS (op datum van neerlegging)

Without capital (Kapitaalloze vennootschap)

NAAM: .....

.....

Rechtsvorm: .....

Adres: ..... Nr.: ..... Bus: .....

Postnummer: ..... Gemeente: .....

Land: .....

Rechtspersonenregister (RPR) - Ondernemingsrechtbank van .....

Internetadres[1]: http://www. .....

Ondernemingsnummer [ ]

DATUM [/ /] van de neerlegging van het recentste stuk dat de datum van bekendmaking van de oprichtingsakte en van de akte tot statutenwijziging vermeldt.

2. Legal Framework

Belgian Accounting Law

Unlimited liability: owner is personnally liable for all of the liabilities of the entity.

Limited liability: the liability of the owner is limited to its investment. In case of financial trouble the owners' personal assets are not subject to the creditors' grasp.

Sole proprietorship and very small companies (1)	Micro companies (2)	Small Companies (3)	Large and quoted companies (4)
• Sales < € 500,000 • Natural persons carrying out a professional activity on a self-employed basis • VOF and CommV • Ordinary partnerships (*Maatschappen*)	Companies other than those mentioned under (1) which, irrespective of their legal form, do not exceed more than one of the following thresholds: -Sales: €700,000 -Assets: €350,000 -Employees: 10 Cannot be a parent company or subsidiary	Companies other than those mentioned under (2) which, irrespective of their legal form, do not exceed more than one of the following thresholds: -Sales: €9,000,000 -Assets: €4,500,000 -Employees: 50 Criteria are not calculated on a consolidated basis anymore. Only the parent company will have to do so	Companies other than those mentioned under (1), (2) and (3)

The overrun of more than one of the thresholds applicable to micro-undertakings and small companies shall only have an impact on the corporate qualification if it occurs during a minimum of two consecutive financial years

2. Legal Framework

Belgian Accounting Law

Sole proprietorship and very small companies (1)	Micro companies (2)	Small Companies (3)	Large and quoted companies (4)
Simple Accounting/ Cash Accounting Purchase-,Sales-, and Financial diary	Double-Entry (Accrual) Accounting Balance sheet, Income statement and Notes		
Annual accounts: no standard form	Annual accounts: Micro-schedule (similar to abbreviated standard form but with limited notes)	Annual accounts: Abbreviated standard form	Annual accounts: Complete standard form
Not to be deposited	To be made public (except VOF and CommV) Social balance sheet is no longer part of the annual accounts, but still have to be submit to the NBB	To be made public (except VOF and CommV) Social balance sheet is no longer part of the annual accounts, but still have to be submit to the NBB	To be made public(except VOF and CommV) Social balance sheet is no longer part of the annual accounts, but still have to be submit to the NBB, as well as a director's report

2. Legal Framework

Belgium

2017

Full Annual Accounts deposited at the National bank of Belgium	Abbreviated Annual Accounts deposited at the National bank of Belgium	Micro Schedule Accounts deposited at the National bank of Belgium	Total Annual Accounts deposited at the National bank of Belgium
23,000 (6%)	226,000 (53%)	174,000 (41%)	423,000 (100%)

Source: NBB (2018)

+/- 150 à 200 listed companies

Micro + Small companies: 95% of the compaines

2. Legal Framework

www.nbb.be

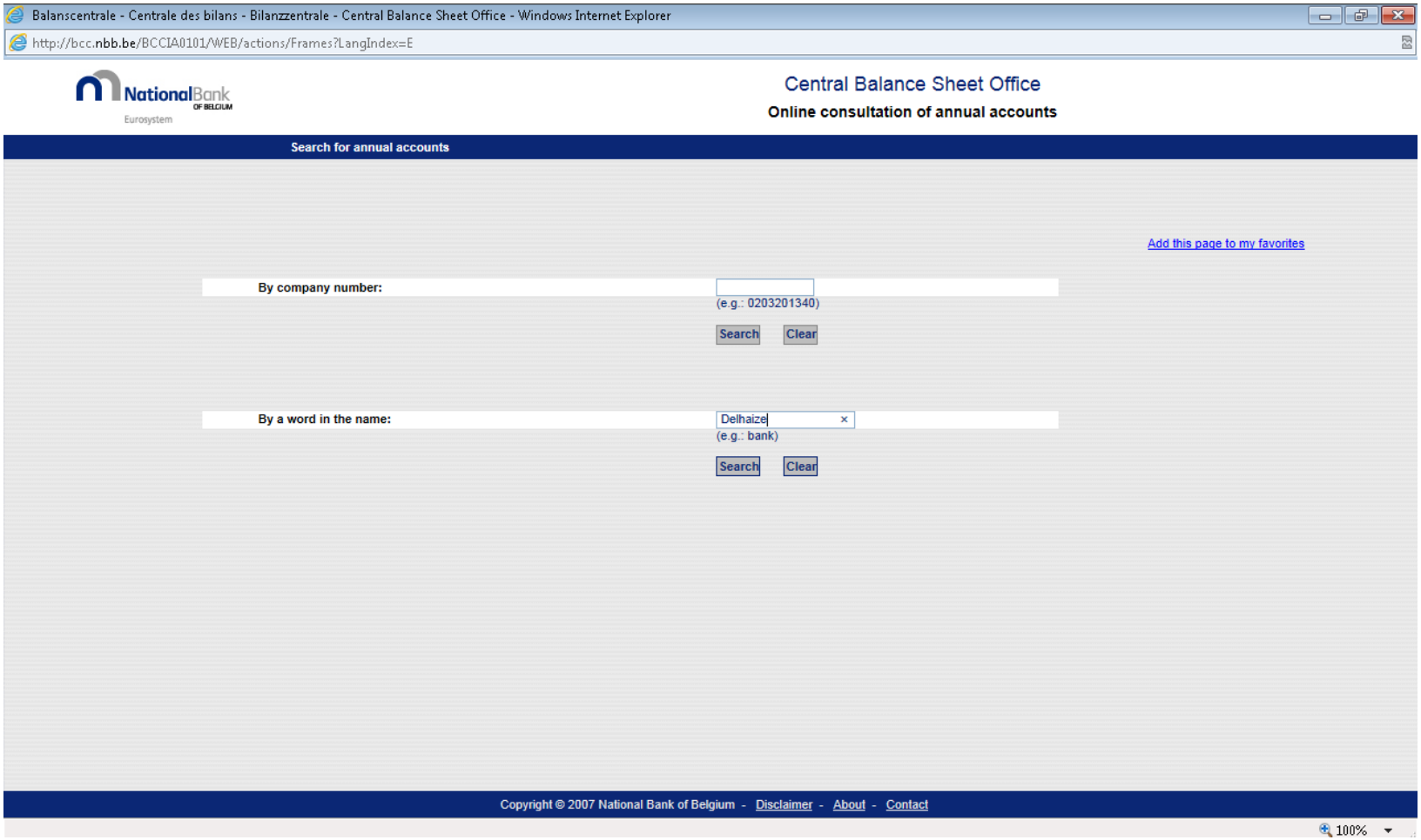
Balanscentrale

In het kader van de missie toevertrouwd door de wetgever, verzamelt en verspreidt de Balanscentrale de jaarrekeningen van bijna alle rechtspersonen in België. Deze gegevens worden eveneens gebruikt voor de opmaak van statistieken en financiële analyses.

Opmaken - SOFISTA | Neerleggen - FILING | Raadplegen - CONSULT | Analyseren - ONDERNEMINGSDOSSIER

2. Legal Framework

www.nbb.be/balanscentrale



2. Legal Framework

www.nbb.be/balanscentrale

Balanscentrale - Centrale des bilans - Bilanzzentrale - Central Balance Sheet Office - Windows Internet Explorer

http://bcc.nbb.be/BCCIA0101/WEB/actions/Frames?LangIndex=E

NationalBank OF BELGIUM
Eurosystem

Central Balance Sheet Office

Online consultation of annual accounts

Search for annual accounts

List of legal persons

Search criterion DELHAIZE*

Click on the legal person of which you require detailed information.

Legal person	Postal code
DELHAIZE (AD # BERINGEN CENTRUM)	3580
DELHAIZE (ETABLISSEMENTS # FRERES ET CIE "LE LION" (GRO	1080
DELHAIZE (ETABLISSEMENTS DELHAIZE FRERES ET CIE "LE LIO	1080
DELHAIZE (ETABLISSEMENTS DELHAIZE FRERES ET CIE "LE LIO	1080
DELHAIZE (ETABLISSEMENTS DELHAIZE FRERES ET CIE "LE LIO	1080
DELHAIZE (ETABLISSEMENTS DELHAIZE FRERES ET CIE "LE LIO	1080
DELHAIZE (LOUIS # - COMPAGNIE FRANCO-BELGE D'ALIMENTATI	1000
DELHAIZE (LOUIS # IMMOBILIERE)	6043
DELHAIZE (LOUIS # INSURANCE)	1170
DELHAIZE (LOUIS # INTERNATIONAL PARTNER)	1000

Previous Next

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100%

2. Legal Framework

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Balanscentrale - Centrale des bilans - Bilanzzentrale - Central Balance Sheet Office - Windows Internet Explorer

http://bcc.nbb.be/BCCIA0101/WEB/actions/Frames?LangIndex=E

NationalBank OF BELGIUM
Eurosystem

Central Balance Sheet Office

Online consultation of annual accounts

Search for annual accounts

By using this application, you agree to the terms of use you can check out through this link.

Information on the legal person

Company number:	0402.206.045
Name:	ETABLISSEMENTS DELHAIZE FRERES ET Cie "LE LION" (GROUPE DELHAIZE) - GEBROEDERS DELHAIZE EN Cie "DE LEEUW" (DELHAIZE GROEP) - DELHAIZE BROTHERS AND Co. "THE ...
Address:	Rue Osseghem 53 BE 1080 BRUXELLES - BRUSSEL
Legal form:	Limited company
Legal situation:	Normal situation

Annual accounts filed with and accepted by the NBB

Balancing date	Document type	Language	Filing date	Reference	PDF on-line	XBRL on-line
31.12.2012	Consolidated accounts	N	28.06.2013	2013-26000286	Download (1.762 KB)	-
31.12.2012	Consolidated accounts	F	19.06.2013	2013-20600133	Download (1.268 KB)	-
31.12.2012	Annual accounts	N	17.06.2013	2013-19000419	Download (1.130 KB)	-
31.12.2012	Annual accounts	F	17.06.2013	2013-19000407	Download (1.141 KB)	-
31.12.2011	Consolidated accounts	F	26.06.2012	2012-20500489	Download (1.998 KB)	-
31.12.2011	Annual accounts	N	25.06.2012	2012-20500488	Download (1.054 KB)	-
31.12.2011	Annual accounts	F	25.06.2012	2012-20500487	Download (954 KB)	-
31.12.2011	Consolidated accounts	N	22.06.2012	2012-20500485	Download (2.277 KB)	-
31.12.2010	Consolidated accounts	N	22.06.2011	2011-19500523	Download (2.695 KB)	-
31.12.2010	Consolidated accounts	F	22.06.2011	2011-19500527	Download (2.721 KB)	-
31.12.2010	Annual accounts	N	22.06.2011	2011-18500053	Download (2.127 KB)	-
31.12.2010	Annual accounts	F	22.06.2011	2011-18500054	Download (2.005 KB)	-
31.12.2009	Annual accounts	F	10.06.2010	2010-16400416	Download (2.070 KB)	-
31.12.2009	Annual accounts	N	10.06.2010	2010-16400417	Download (2.275 KB)	-
31.12.2009	Consolidated accounts	N	10.06.2010	2010-16400415	Download (2.427 KB)	-
31.12.2009	Consolidated accounts	F	10.06.2010	2010-16400414	Download (2.471 KB)	-
31.12.2008	Annual accounts	F	17.09.2009	2009-76000306	Download (913 KB)	-

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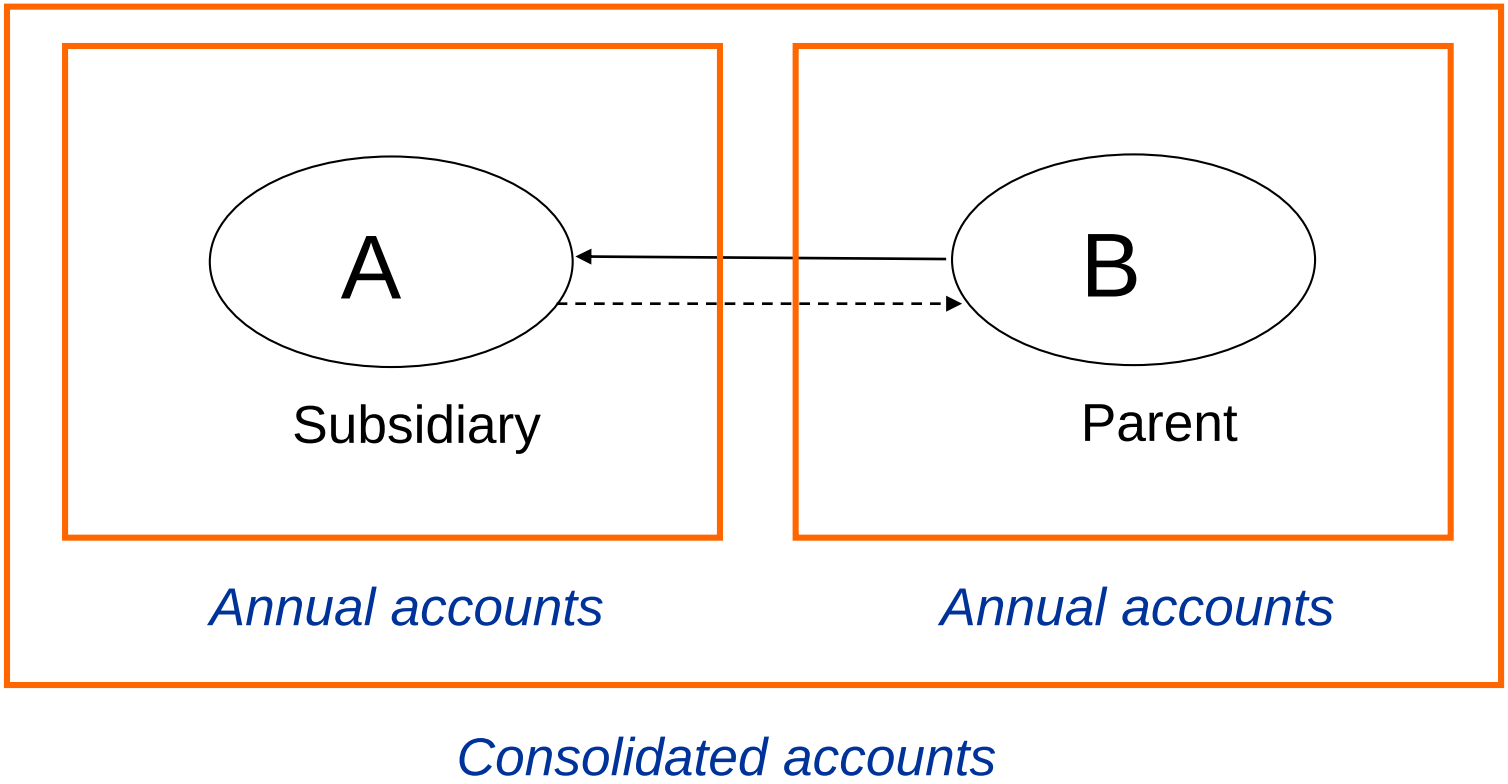
2. Legal Framework

Annual vs. Consolidated accounts



2. Legal Framework

Annual vs. Consolidated accounts

General rule:

Every company that either exercises sole or joint *control* over one or more subsidiaries (art. 110 Company Code) or;
that forms a *consortium* together with other entities (*art. 111* Company Code*):*

is required to prepare consolidated financial statements.

Consolidation exemption:

Subconsolidation (*art. 113* Company Code*);*
~~*Small groups*~~ (*art. 112* Company Code*);* ➔ *"reduced-size groups "*

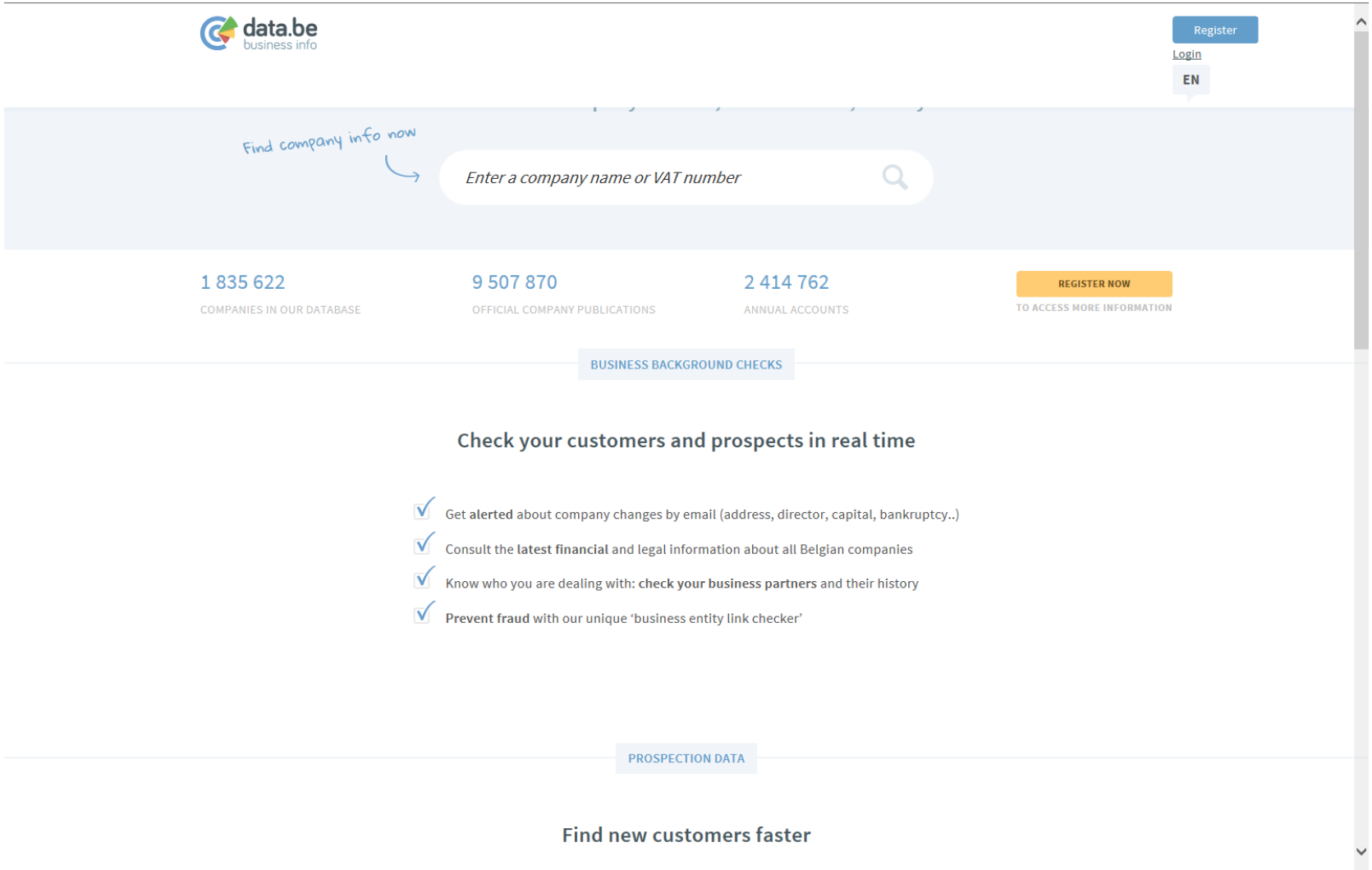
If more than 1 criterium is exceeded: *Large (2013/34/EU)*

Royal Decree December 18, 2015 (Belgium)

-	Total assets	*(4,000,000)*	*17,000,000*
-	Annual Turnover	*(8,000,000)*	*34,000,000*
-	Annual average workforce	*(50)*	*250*

2. Legal Framework

www.data.be



2. Legal Framework

International

Financial Accounting Standards Board (FASB) - responsible for establishing GAAP in the United States
http://www.fasb.org

International Accounting Standards Board (IASB) - an organization that is developing a common set of international accounting standards (IAS/IFRS) to be used throughout the world
http://www.iasb.org
http://www.iasplus.com

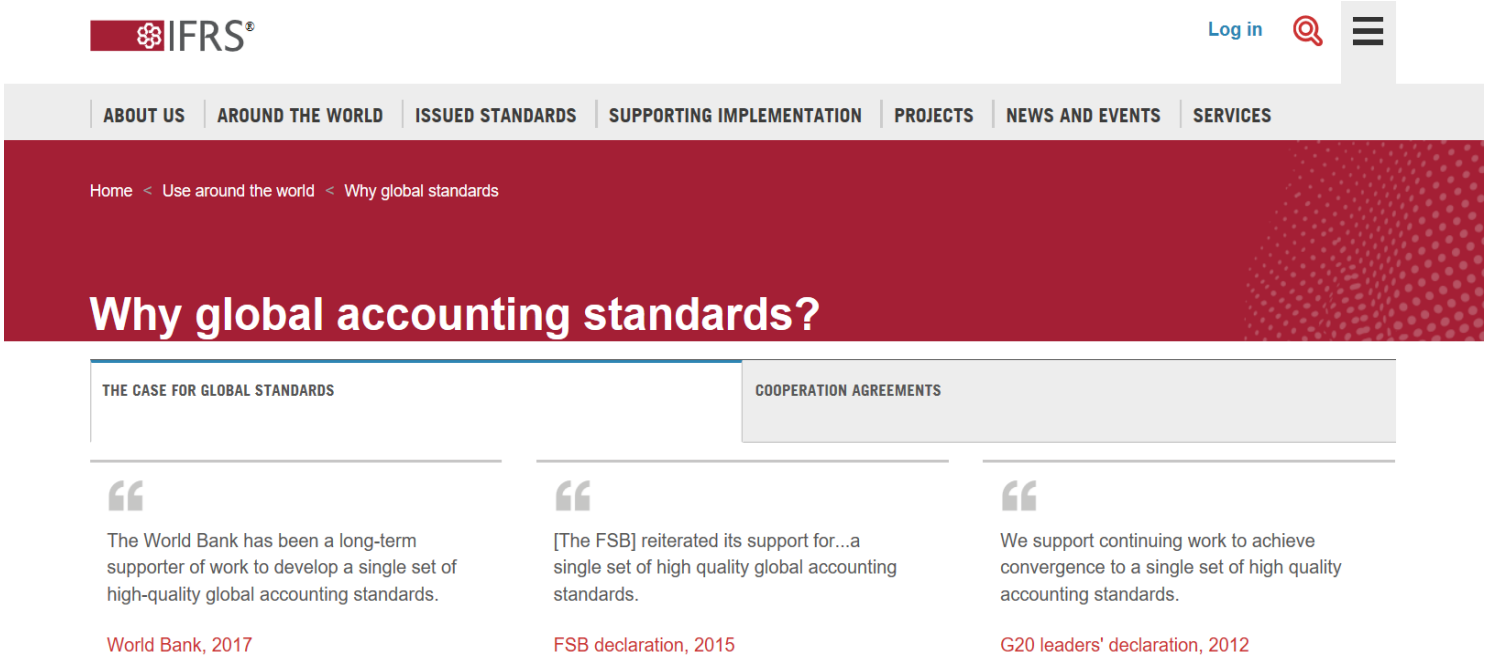
All **European** quoted companies are obliged to issue their **consolidated** financial statements in conformity with IAS/IFRS as from January 1, 2005 (IAS Regulation (1606/2002).

+/- 150 listed companies in Belgium

2. Legal Framework

International

https://www.ifrs.org/about-us/



- A fundamental objective of the EU was to create a single market with no barriers to movement within it. The slightly different financial reporting in each member state was an obstacle to the free flow of capital. If investors could compare one company with another, irrespective of where the parent company's main office was based, they could invest more efficiently and companies could raise finance more easily

- A second issue with the Commission was that if IFRS were widely used outside the EU, this would also make it much easier for European companies to raise money on markets outside Europe. The big prize was access to the US markets.

2. Legal Framework

International

IFRS is required for Listed (public) companies *in more than 140 out of 166 worldwide jurisdictions)*

2. Legal Framework

Introducing IFRS in continental Europe

EUROPE	**Individual financial statements**	**Group/ Consolidated financial statements**
Listed companies	Member state option	IFRS mandatory
Not-listed companies	Member state option	Member state option

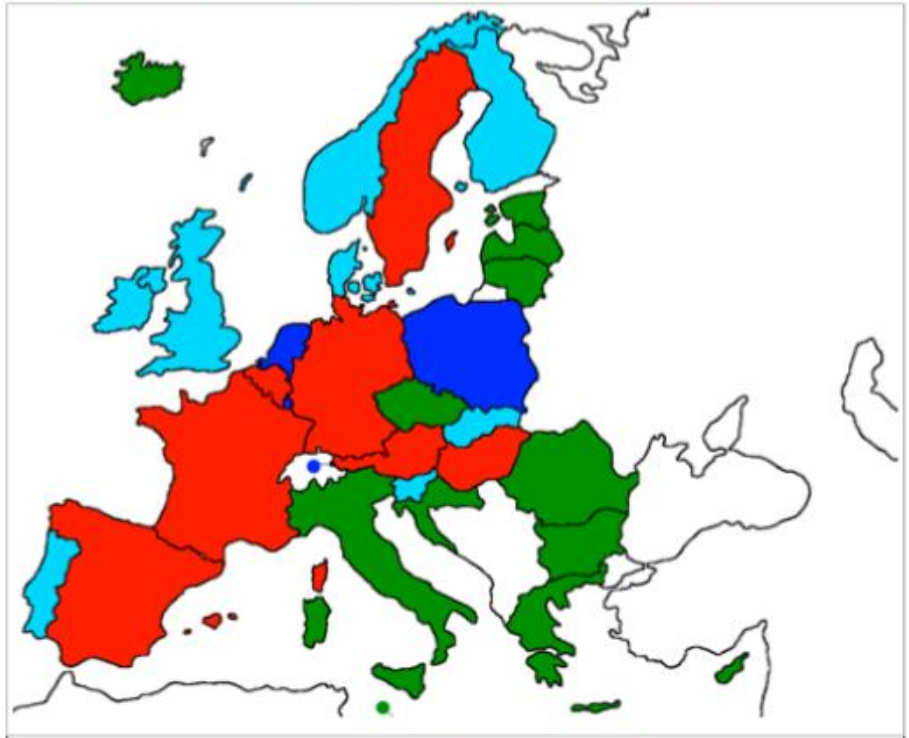
BELGIUM	**Individual financial statements**	**Group/ Consolidated financial statements**
Listed companies	IFRS NOT allowed	IFRS mandatory
Not-listed companies	IFRS NOT allowed	IFRS Allowed (irreversible)

Why not?

2. Legal Framework

Introducing IFRS in continental Europe

Adoption of IFRS for individual accounts of listed companies among the EEA States[81]



Countries not visible on the map: Liechtenstein: ● Malta: ●

Legend
- IFRS prohibited [7 states]
- IFRS required for all listed companies [12 states]
- IFRS permitted, required for no listed company [4 states]
- IFRS permitted, required for some listed companies [8 states]

Some minor deviations from the above categorizations may apply

Why not?

1. Tax
2. (too) complex / extensive

2. Legal Framework

Filing of the financial statements

When?

- The statutory financial statements should be approved by the shareholders' meeting within 6 months after closing; and
- filed at the Central Balance Sheet Office within 1 month after such approval.
- ! Listed companies: 4 months after closing.

Research of Graydon 11-08-2009
330.000 financial statements were deposited in 2008
- 2/3 on time
- 1/3 too late

15.000 companies (5%) do not publish financial statements

NationalBank OF BELGIUM

2. Legal Framework

Filing of the financial statements

40	03/10/2018	BE 0400.378.485	69	EUR		
NAT.	Datum neerlegging	Nr.	Blz.	D.	18686.00258	VOL 1.1

JAARREKENING EN ANDERE OVEREENKOMSTIG HET WETBOEK VAN VENNOOTSCHAPPEN NEER TE LEGGEN DOCUMENTEN

IDENTIFICATIEGEGEVENS

Naam: **ETN FRANZ COLRUYT**

Rechtsvorm: Naamloze vennootschap

Adres: Edingensesteenweg Nr: 196 Bus:

Postnummer: 1500 Gemeente: Halle

Land: België

Rechtspersonenregister (RPR) - Rechtbank van Koophandel van Brussel, nederlandstalige

Internetadres:

Ondernemingsnummer BE 0400.37[illegible]485

Datum van de neerlegging van de oprichtingsakte OF van het recentste stuk dat de datum van bekendmaking van de oprichtingsakte en van de akte tot statutenwijziging vermeldt. 09-01-2018

JAARREKENING IN EURO goedgekeurd door de algemene vergadering van 26-09-2018

met betrekking tot het boekjaar dat de periode dekt van 01-04-2017 tot 31-03-2018

Vorig boekjaar van 01-04-2016 tot 31-03-2017

De bedragen van het vorige boekjaar zijn identiek met die welke eerder openbaar werden gemaakt.

2. Legal Framework

Filing of the financial statements

Luypaert, M., Van Caneghem, T., & Van Uytbergen, S. (2016). Financial statement filing lags: An empirical analysis among small firms. *International Small Business Journal*, *34*(4), 506-531.

Table 2. Descriptive statistics.

Panel A: Breakdown based on month during which the financial statements are filed

	Number of observations	Percentage	Cumulative percentage
1st month	3	.014	.014
2nd month	23	.110	.125
3rd month	163	.783	.907
4th month	345	1.656	2.564
5th month	1398	6.711	9.275
6th month	6040	28.997	38.272
7th month	6424	30.840	69.112
8th month	4884	23.447	92.559
9th month	733	3.519	96.078
10th up to 12th month	655	3.145	99.222
>12 months	162	.778	100.000
	20,830		

Regression results:

"Controlling for all other variables, the odds for filing the financial statements late are about 24% higher if the firm reported a profit in the previous accounting period and a loss in the current accounting period compared to all other possible scenarios.

In sum, our results lend support for the idea that firms delay the disclosure of unfavorable information."

2. Legal Framework

Filing of the financial stataments - Rates

Tarieven 2019

	VOL	VKT	MIC
XBRL	304,10	72,10	54,20
PDF	360,30	128,20	110,40
Papier	366,50	134,40	116,60
Verbeterde neerlegging	68,70	68,70	43,70

2. Legal Framework

Penalties for failure to comply with the filing obligation

1. Surcharge

Tarief in euro	Tijdens de 9e maand na de afsluiting van het boekjaar	Tussen de 10e en de 12e maand na de afsluiting van het boekjaar	Vanaf de 13e maand na de afsluiting van het boekjaar
Volledig schema	€ 400	€ 600	€ 1.200
Verkort en microschema	€ 120	€ 180	€ 360

2. Civil sanction: presumption of liability

Directors shall be held personally liable for damages suffered by third parties in the event of non-compliance with the filing obligation.

3. Legal sanction: judicial dissolution of the company

At the request of any interested party, the court can rule on the dissolution of a company if that company has not filed its annual accounts for **three consecutive financial years**.

Bankruptcy probability

Signaal 9.
De jaarrekening werd 2 jaar niet gepubliceerd

Wanneer het niet goed gaat met een onderneming, dan zijn er meestal ook boekhoudkundige problemen. Of ze probeert haar financiële situatie geheim te houden. De jaarrekeningen niet publiceren is een veelgebruikt, maar onwettig trucje om financiële problemen te verdoezelen. Volgens de wet is er voldoende reden om een publicatieplichtige vennootschap via gerechtelijke weg te ontbinden als ze gedurende 36 maanden geen jaarrekening publiceerde. Om een faillissement te voorspellen is het voldoende om 24 maanden terug te tellen.

20,83% van alle ondernemingen die gedurende 24 maanden geen jaarrekeningen publiceerden, ging in 2015 failliet.

Source: Graydon.be
"10 signalen om een nakend faillissement te herkennen"

2. Legal Framework

Documents to be filed with the annual accounts

Micro Companies	Small non-listed companies	Large and listed companies
Micro Standard Form	Abbreviated Standard Form	Complete Standard Form
No director's report	No director's report	1. Director's report
No auditor	No auditor	2. Auditor

Course Outline

I. Financial Accounting

1. Role of Accounting
2. Legal Framework
3. Understanding Financial Statements
4. Accrual Accounting
5. Generally Accepted Accounting Principles (GAAP)
6. Selected Topics
7. Financial Statement Analysis

II. Tax Basics

III. Management Accounting

3. Understanding financial statements

The primary questions about an organization's success that decision makers want to know are:

What is the financial picture of the organization on a given day?

How well did the organization do during a given period?

3. Understanding financial statements

The primary questions about an organization's success that decision makers want to know are:

What is the financial picture of the organization on a given day?

How well did the organization do during a given period?

3. Understanding financial statements

Components of financial statements

Accountants answer these primary questions with some basic financial statements:

Balance sheet: shows financial position *on a given day*.

Income statement: shows performance *over a given period.*

Notes/Annexes to the financial statements.

3. Understanding financial statements

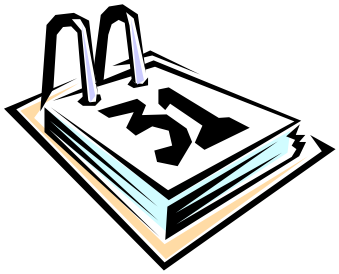
The Accounting Time Period

Companies need a way to measure performance over discrete time periods = accounting time period:

At least once a year.

The most popular period for measuring income is the *calendar year*, but some companies use an accounting time period, which is a *year that ends on a date other than December 31*, usually at the low point in annual business activity.

Companies also prepare statements for interim periods, generally on a half-yearly or quarterly basis.



3. Understanding financial statements

Balance sheet

The balance sheet provides a snapshot of an entity's financial position at *an instant in time*.

3. Understanding financial statements

Balance sheet

Resources of the firm that are expected to increase or cause future cash flows (everything the firm owns)

Where is the money coming from?
Claims against the resources

Company X
Balance Sheet
31 December 2013

Assets | Owner's Equity + Liabilities

Long lived assets	**€ 16,255**	**Owner's equity**	**€ 9,255**
Land	9,755	Capital / Shareholder contributions	9,255
Equipment	6,500		
Current Assets	**€ 6,565**	**Liabilities**	**€ 13,565**
Inventory	2,300	*Long-term Debt*	5,800
Accounts receivable	2,040	*Current Liabilities*	
Cash	2,225	Accounts Payable	3,765
		Wages Payable	4,000
Total Assets	**€ 22,820**	**Total Liabilities & Owner's Equity**	**€ 22,820**

Residual claim to assets (**internal**)

Obligations (debts) of the business to outsiders (**external**) = first claim on the assets

In order of *increasing* liquidity

In order of claim on assets

Account format

3. Understanding financial statements

Balance sheet

Account format

Balance Sheet
31/12/X1

Assets	Owner's Equity Liabilities

Report format

Assets Owner's Equity Liabilities

3. Understanding financial statements

Belgian Standard Format

Activa

I. Oprichtingskosten

Vaste activa

II. Immateriële vaste activa

III. Materiële vaste activa

IV. Financiële vaste activa

Vlottende activa

V. Vorderingen op meer dan één jaar

VI. Voorraden en bestellingen in uitvoering

VII. Vorderingen op ten hoogste één jaar

VIII. Geldbeleggingen

IX. Liquide middelen

X. Overlopende rekeningen

Totaal der activa

Passiva

Eigen vermogen

I. Inbreng

II. Herwaarderingsmeerwaarden

II. Reserves

IV. Overgedragen resultaat

V. Kapitaalsubsidies

VI. Voorschot aan vennoten op verdeling netto-actief

Voorzieningen en uitgestelde belastingen

VII A. Voorzieningen voor risico's en kosten

VII B. Uitgestelde belastingen

Schulden

VIII. Schulden > 1 jaar

IX. Schulden ≤ 1 jaar

X. Overlopende rekeningen

Totaal der passiva

(Art. 2, 2013/34/EC)
Whether particular assets are to be shown as fixed assets or current assets shall depend upon the ***purpose*** for which they are intended. Fixed assets shall comprise those assets which are intended ***for use on a continuing basis*** for the purposes of the undertaking's activities. (⇔ duration of assets held by the company)

3. Understanding financial statements

Possibilities for presenting the balance sheet

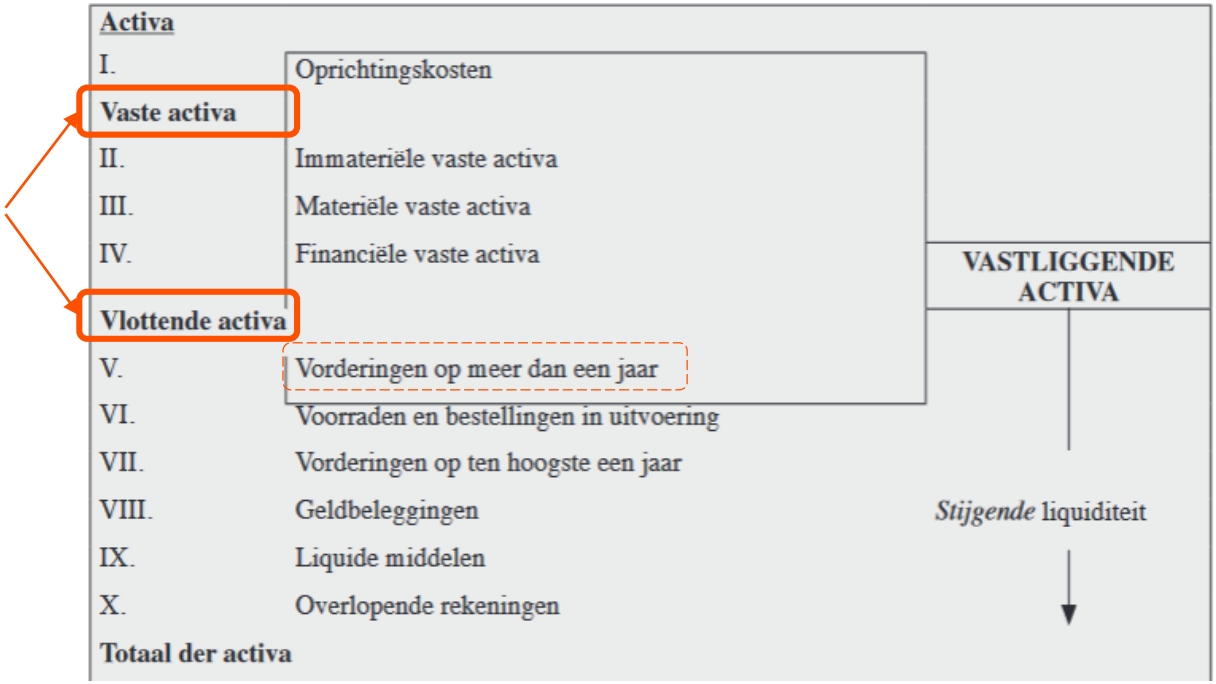
- Balance Sheet

	IFRS	Europe	Belgium
Balance sheet	No standard layout	2 possibilities:	1 model
		- *Company Value (Ondernemingswaarde)* - *Long Term Financing (Langetermijnfinanciering)*	- *Company Value (Ondernemingswaarde)*

3. Understanding financial statements

Possibilities for presenting the balance sheet

België



Criterion fixed / current:

Purpose of the asset

(←→ duration of assets held by the company)

Fixed assets shall comprise those assets which are intended *for use* on a *continuing basis* for the purposes of the undertaking's activities

3. Understanding financial statements

Possibilities for presenting the balance sheet

Passiva

Eigen vermogen

I. Inbreng

II. Herwaarderingsmeerwaarden

III. Reserves

IV. Overgedragen winst of overgedragen verlies

V. Kapitaalsubsidies

VI. Voorschot aan de vennoten op de verdeling van het netto-actief (-)

Voorzieningen en uitgestelde belastingen

VII A. Voorzieningen voor risico's en kosten

VII B. Uitgestelde belastingen

Schulden

VIII. Schulden op meer dan een jaar

IX. Schulden op ten hoogste een jaar

X. Overlopende rekeningen

Totaal van de passiva

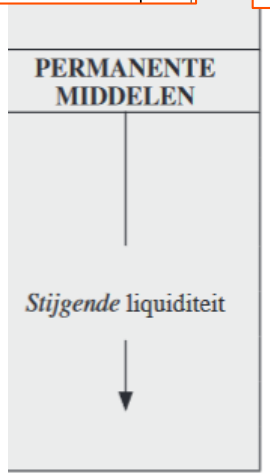
België

Kapitaalvennootschap 2020

PASSIVA		
EIGEN VERMOGEN		10/15
Inbreng	6.7.1	10/11
Kapitaal		10
Geplaatst kapitaal		100
Niet-opgevraagd kapitaal[4]		101
Buiten kapitaal		11
Uitgiftepremies		1100/10
Andere		1109/19
Herwaarderingsmeerwaarden		12
Reserves		13
Onbeschikbare reserves		130/1
Wettelijke reserve		130
Statutair onbeschikbare reserves		1311
Inkoop eigen aandelen		1312
Financiële steunverlening		1313
Overige		1319
Belastingvrije reserves		132
Beschikbare reserves		133
Overgedragen winst (verlies)	(+)/(-)	14
Kapitaalsubsidies		15

kapitaalloze vennootschap 2020

PASSIVA		
EIGEN VERMOGEN		10/15
Inbreng	6.7.1	10/11
Beschikbaar		110
Onbeschikbaar		111
Herwaarderingsmeerwaarden		12
Reserves		13
Onbeschikbare reserves		130/1
Statutair onbeschikbare reserves		1311
Inkoop eigen aandelen		1312
Financiële steunverlening		1313
Overige		1319
Belastingvrije reserves		132
Beschikbare reserves		133
Overgedragen winst (verlies)	(+)/(-)	14
Kapitaalsubsidies		15



Criterion equity / liabilities:

Purpose of the financing source (←→ duration)

3. Understanding financial statements

Possibilities for presenting the balance sheet

Europe

- Balance Sheet

	IFRS	Europe	Belgium
Balance sheet	No standard layout	2 possibilities:	1 model
		- *Company Value (Ondernemingswaarde)* - *Long Term Financing (Langetermijnfinanciering)*	- *Company Value (Ondernemingswaarde)*

3. Understanding financial statements

Two possibilities for presenting the balance sheet (2013/34/EU)

EU

Formation Expenses
Fixed Assets
Current Assets
Equity
Creditors

➔ 2013/34/EU
(Annex III, art. 10)
'Company value'
=
België

Formation Expenses
Fixed Assets
Current Assets
- Short-term Creditors
Long-term Creditors
Capital and Reserves

➔ 2013/34/EU
(Annex IV, art. 10)
'Long Term Financing'
=
UK

3. Understanding financial statements

Two possibilities for presenting the balance sheet (2013/34/EU)

EU

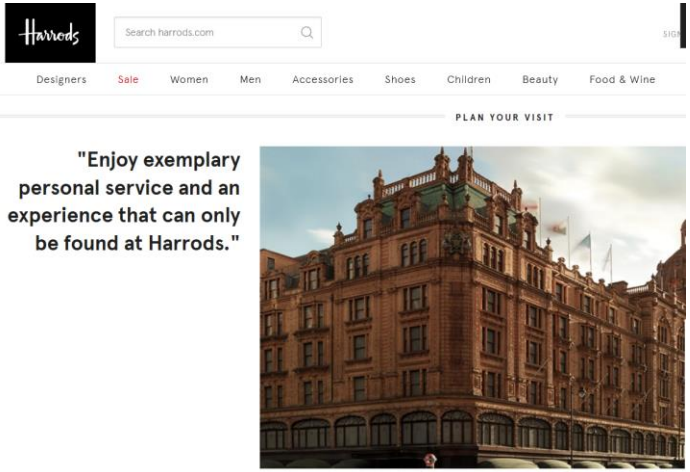
EXAMPLE

Harrods Group (Holding) Limited

Consolidated Balance Sheet
As at 30 January 2016

	Note	30 January 2016 £M	31 January 2015 £M
Fixed assets			
Intangible assets	11	445.5	449.6
Tangible assets	12	1,298.6	270.7
Investments	13	1.6	-
		1,745.7	720.3
Current assets			
Stocks	16	93.8	91.7
Debtors: amounts falling due after more than one year	17	194.6	330.4
Debtors: amounts falling due within one year	17	59.0	57.0
Cash at bank and in hand		247.6	151.3
Deferred tax asset	8	41.1	-
		636.1	630.4
Creditors: amounts falling due within one year	18	(1,703.7)	(1,293.7)
Net current liabilities		(1,067.6)	(663.3)
Total assets less current liabilities		678.1	57.0
Creditors: amounts falling due after more than one year	18	(689.2)	(328.5)
Deferred tax liability	8	-	(1.2)
Net assets excluding pension asset/(liability)		(11.1)	(272.7)
Pension asset/(liability)	21	24.0	(9.5)
Net assets		12.9	(282.2)
Capital and reserves			
Called up share capital	19	3.8	3.3
Share premium account	19	264.5	35.9
Revaluation reserve		(0.3)	(0.3)
Other reserves		(0.6)	-
Profit and loss account		(256.1)	(322.4)
Equity attributable to owners of the parent company		11.3	(283.5)
Non-controlling interest		1.6	1.3
Total Equity		12.9	(282.2)

Fixed assets
Current assets
<u>- Current Liabilities</u>
Long-term debt
Equity



3. Understanding financial statements

Possibilities for presenting the balance sheet

IFRS

- Balance Sheet

	IFRS	Europe	Belgium
Balance sheet	No standard layout	2 possibilities:	1 model
		- *Company Value (Ondernemingswaarde)* - *Long Term Financing (Langetermijnfinanciering)*	- *Company Value (Ondernemingswaarde)*

3. Understanding financial statements

Balance sheet: IAS/IFRS: no standard layout

Format of statement

IAS 1 does not prescribe the format of the statement of financial position. Assets can be presented current then non-current, or vice versa, and liabilities and equity can be presented current then non-current then equity, or vice versa. A net asset presentation (assets minus liabilities) is allowed. The long-term financing approach used in UK and elsewhere – fixed assets + current assets - short term payables = long-term debt plus equity – is also acceptable.

Current assets are assets that are: [IAS 1.66]

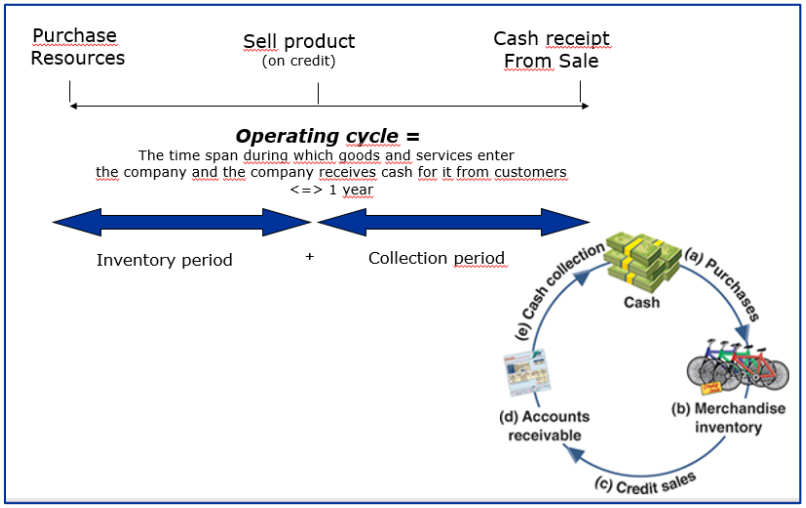
- expected to be realised in the entity's normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within 12 months after the reporting period
- cash and cash equivalents (unless restricted).

All other assets are non-current. [IAS 1.66]

Current liabilities are those: [IAS 1.69]

- expected to be settled within the entity's normal operating cycle
- held for purpose of trading
- due to be settled within 12 months
- for which the entity does not have an unconditional right to defer settlement beyond 12 months (settlement by the issue of equity instruments does not impact classification).

Other liabilities are non-current.



Long-lived assets
Current assets

Long-lived assets
Current assets
- Current liabilities
Long-term liabilities
Stockholders'equity

Current assets
Long-lived assets

Assets
Liabilities
Stockholders'equity

3. Understanding financial statements

Balance Sheet

NewCo
Balance Sheet
31 December 2013

Assets		Owner's Equity + Liabilities	
Long lived assets	**€ 16,255**	**Owner's equity**	**€ 9,255**
Land	9,755	Capital / Shareholder contributions	9,255
Equipment	6,500		
Current Assets	**€ 6,565**	**Liabilities**	**€ 13,565**
Inventory	2,300	*Long-term Debt*	5,800
Accounts receivable	2,040	*Current Liabilities*	
Cash	2,225	Accounts Payable	3,765
		Wages Payable	4,000
Total Assets	**€ 22,820**	**Total Liabilities & Owner's Equity**	**€ 22,820**

=

3. Understanding financial statements

Balance Sheet

Balance sheet equation:

Assets = Liabilities + Owners' Equity
or
Assets – Liabilities = Owners' Equity

The 'balance sheet equation' basis for
<u>double-entry accounting</u>

= recording method whereby *at least two* accounts are always affected by each transaction.

An account = a summary record of the changes in a particular asset, liability or owners' equity.

3. Understanding financial statements

Balance sheet Ablynx 31/12/2013

Prepared in accordance with International Financial Reporting Standards (IFRS)

	As at 31 December		
(€'000)	2013	2012	
Non-current assets	13,068	12,304	
Intangible fixed assets	328	600	(Note 8.6)
Property, plant and equipment	2,394	3,450	(Note 8.7)
Restricted cash	2,320	2,660	(Note 8.8)
Tax receivables	8,026	5,594	(Note 8.9)
Current assets	200,492	62,691	
Trade receivables	515	591	(Note 8.10)
Other current assets	502	729	(Note 8.10)
Tax receivables	448	608	(Note 8.10)
Accrued income and deferred charges	977	656	(Note 8.10)
Other short-term financial investments	187,519	55,810	(Note 8.11)
Cash and cash equivalents	10,531	4,297	(Note 8.12)
Total assets	213,560	74,995	
Equity attributable to equity holders	46,173	31,722	
Share capital	84,004	73,465	
Share premium account	150,747	126,466	
Share-based payment reserve	6,736	8,078	
Retained earnings	195,314)	(176,287)	
Non-current liabilities	141	927	
Borrowings	141	927	(Note 8.16)
Current liabilities	167,246	42.346	
Borrowings	786	825	(Note 8.16)
Trade payables	11,336	8,070	(Note 8.17)
Other current liabilities	3,299	3,214	(Note 8.17)
Deferred income	151,825	30,237	(Note 8.17)
Total liabilities	167,387	43,273	
Total equity and liabilities	213,560	74,995	

Total assets

Total equity and liabilities

Case Study – NewCo

For the following transactions in Year 1, please post their impact on the balance sheet, the income statement and the cash flow statement.

1. Venture Capital firm invests €1,000 of capital in Newco to start operations
2. Bank lends Newco €1,000 to help fund operation
3. Newco purchases €100 of Property, Plant, & Equipment necessary to begin production
4. Newco buys €100 worth of inventory on credit
5. Newco pays wages of €100 to employees
6. Newco sells one-half of its inventory for €200 to customers on credit

NewCo Case Study

Balance sheet (Belgian Format)

NewCo
Balance Sheet
31 December 2013

Assets		Owner's Equity + Liabilities	
Long lived assets	**€ 0**	**Owner's equity**	**€ 0**
Land	0	Capital / Shareholder contributions	0
Equipment	0		
		Liabilities	**€ 0**
Current Assets	**€ 0**	*Long-term Debt*	0
Inventory	0	*Current Liabilities*	
Accounts receivable	0	Accounts Payable	0
Cash	0	Wages Payable	0
Total Assets	**€ 0**	**Total Liabilities & Owner's Equity**	**€ 0**

NewCo Case Study

Transaction 1

NewCo
Balance Sheet
31 December 2013

Assets		Owner's Equity + Liabilities	
Long lived assets	**€ 0**	**Owner's equity**	**€ 1,000**
Land	0	Capital / Shareholder contributions	1,000
Equipment	0		
Current Assets	**€ 1,000**	**Liabilities**	**€ 0**
Inventory	0	*Long-term Debt*	0
Accounts receivable	0	*Current Liabilities*	
Cash	1,000	Accounts Payable	0
		Wages Payable	0
Total Assets	**€ 1,000**	**Total Liabilities & Owner's Equity**	**€ 1,000**

VC invests € 1,000.

Case Study – NewCo

For the following transactions in Year 1, please post their impact on the balance sheet, the income statement and the cash flow statement.

1. Venture Capital firm invests €1,000 of capital in Newco to start operations
2. Bank lends Newco €1,000 to help fund operation
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4. Newco buys €100 worth of inventory on credit
5. Newco pays wages of €100 to employees
6. Newco sells one-half of its inventory for €200 to customers on credit

NewCo Case Study

Transaction 2

NewCo
Balance Sheet
31 December 2013

Assets		Owner's Equity + Liabilities	
Long lived assets	**€ 0**	**Owner's equity**	**€ 1,000**
Land	0	Capital / Shareholder contributions	1,000
Equipment	0		
Current Assets	**€ 1,000**	**Liabilities**	**€ 1,000**
Inventory	0	*Long-term Debt*	0
Accounts receivable	0	*Current Liabilities*	1,000
Cash	1,000	Accounts Payable	0
		Wages Payable	0
Total Assets	**€ 1,000**	**Total Liabilities & Owner's Equity**	**€ 1,000**

Bank lends € 1,000.

Case Study – NewCo

For the following transactions in Year 1, please post their impact on the balance sheet, the income statement and the cash flow statement.

1. Venture Capital firm invests €1,000 of capital in Newco to start operations
2. Bank lends Newco €1,000 to help fund operation
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5. Newco pays wages of €100 to employees
6. Newco sells one-half of its inventory for €200 to customers on credit

NewCo Case Study

Transaction 3

NewCo
Balance Sheet
31 December 2013

Assets		Owner's Equity + Liabilities	
Long lived assets	**€ 100**	**Owner's equity**	**€ 1,000**
Land	0	Capital / Shareholder contributions	1,000
Equipment	100		
Current Assets	**€ 1,900**	**Liabilities**	**€ 1,000**
Inventory	0	*Long-term Debt*	1,000
Accounts receivable	0	*Current Liabilities*	
Cash	1,900	Accounts Payable	0
		Wages Payable	0
Total Assets	**€ 2,000**	**Total Liabilities & Owner's Equity**	**€ 2,000**

NewCo buys equipment worth €100, pay with cash.

Case Study – NewCo

For the following transactions in Year 1, please post their impact on the balance sheet, the income statement and the cash flow statement.

1. Venture Capital firm invests €1,000 of capital in Newco to start operations
2. Bank lends Newco €1,000 to help fund operation
3. Newco purchases €100 of Property, Plant, & Equipment necessary to begin production
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5. Newco pays wages of €100 to employees
6. Newco sells one-half of its inventory for €200 to customers on credit

NewCo Case Study

Transaction 4

NewCo
Balance Sheet
31 December 2013

Assets		Owner's Equity + Liabilities	
Long lived assets	**€ 100**	**Owner's equity**	**€ 1,000**
Land	0	Capital / Shareholder contributions	1,000
Equipment	100		
Current Assets	**€ 1,900**	**Liabilities**	**€ 1,100**
Inventory	100	*Long-term Debt*	1,000
Accounts receivable	0	*Current Liabilities*	
Cash	1,900	Accounts Payable	100
		Wages Payable	0
Total Assets	**€ 2,000**	**Total Liabilities & Owner's Equity**	**€ 2,000**

NewCo buys inventory worth € 100, pay on credit.

3. Understanding financial statements

The primary questions about an organization's success that decision makers want to know are:

What is the financial picture of the organization on a given day?

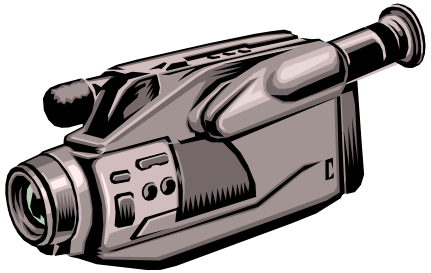
How well did the organization do during a given period?

3. Understanding financial statements

Balance sheet and income statement

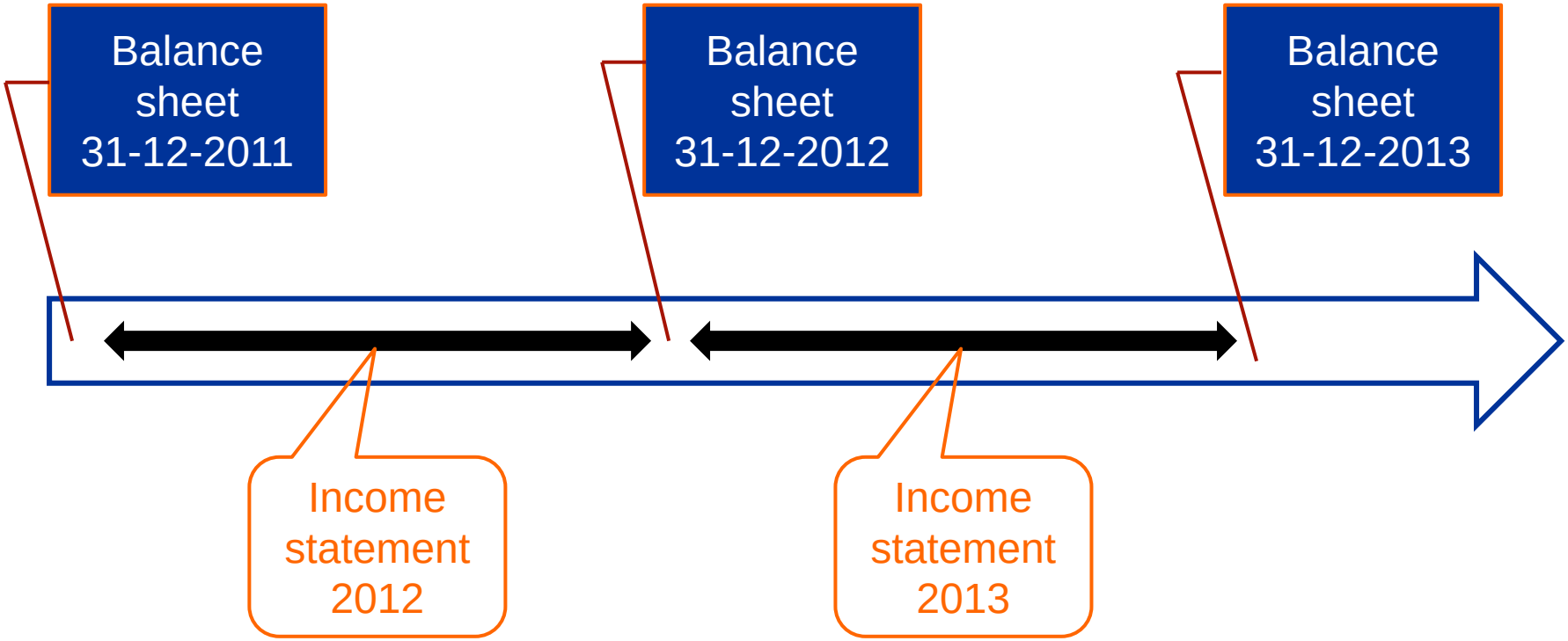
The balance sheet provides a snapshot of an entity's financial position at an instant in time.

The income statement provides a moving picture of events over a span of time and explains the changes that have taken place between balance sheet dates.



3. Understanding financial statements

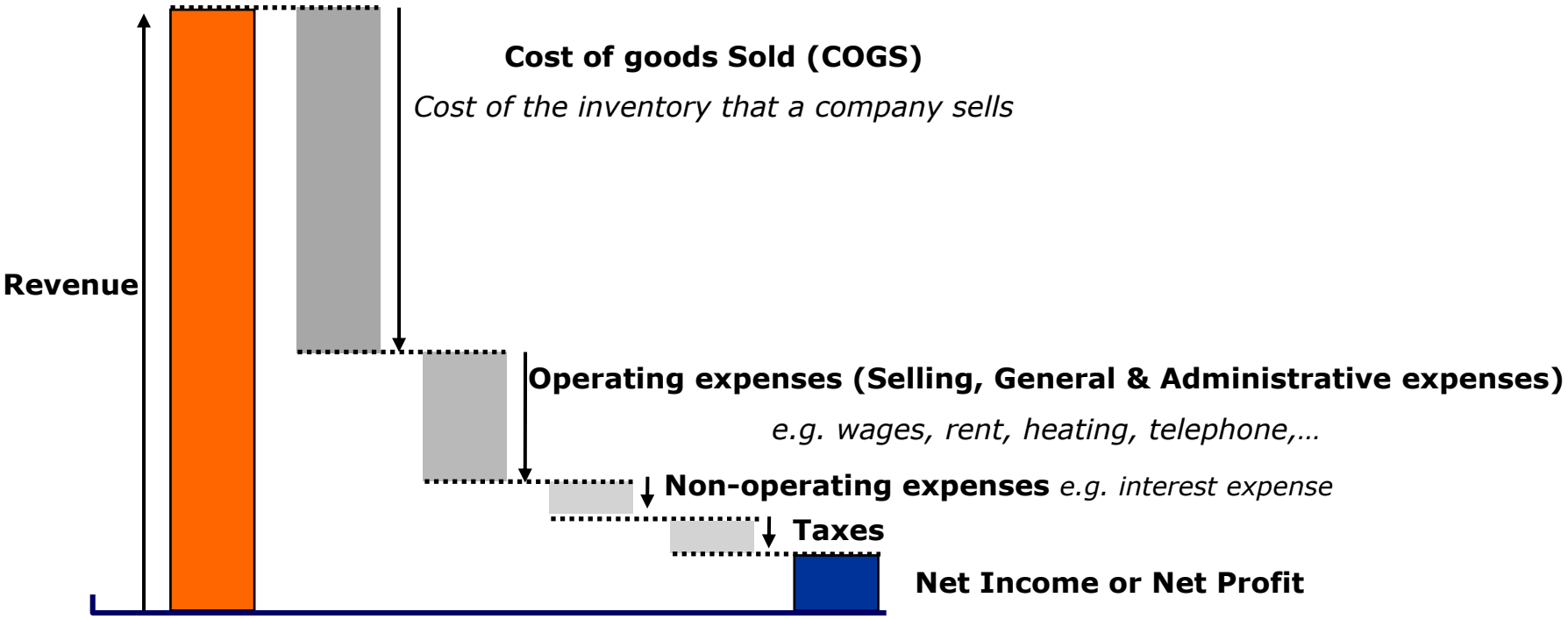
Balance sheet and income statement



3. Understanding financial statements

The income statement (Anglo-Saxon format)

The income statement is used to show the *revenues* (sales) generated and the *expenses* incurred over one financial year.



3. Understanding financial statements

The income statement: Single-step

Single step income statement

DANIELS COMPANY
Income Statement
for the Year Ended December 31, 2015

Sales		$98,600
Expenses:		
Cost of Goods Sold	30,500	
Wages expense	15,300	
Rent expense	12,000	
Utilities expense	6,500	
Depreciation expense	5,000	
Total expenses		69,300
Net Income		**$29,300**

3. Understanding financial statements

The income statement: Multiple-step

Multiple step income statement

Net sales
Cost of goods Sold
= *Gross Profit*
Operating expenses (selling, general, and administrative)
= *Operating income (EBIT)*
+/- Non-operating (other) income
= *EBT (Earnings before taxes)*
- Taxes
= *EAT (Earnings after taxes)*
Extraordinary items (net of taxes)
= *Net income*

3. Understanding financial statements

Possibilities for presenting the income statement

Belgium

➢ Income Statement

	IFRS	Europe	Belgium
Income Statement	2 possibilities:	2 possibilities:	1 possibility
	- Nature - Function	- Nature - Function	- *Nature*

3. Understanding financial statements

Possibilities for presenting the income statement

Belgium

I.	Bedrijfsopbrengsten	1.
II.	Bedrijfskosten	
III.	**Bedrijfswinst (Bedrijfsverlies)**	
IV.	Financiële opbrengsten	2.
V.	Financiële kosten	
VI.	**Winst (Verlies) van het boekjaar voor belasting**	
VII.	Overboeking naar (Onttrekking aan) de uitgestelde belastingen	
VIII.	Belastingen op het resultaat	3.
IX.	**Winst (Verlies) van het boekjaar**	
X.	Overboeking naar (Onttrekking aan) de belastingvrije reserves	
XI.	Te bestemmen winst (Te verwerken verlies) van het boekjaar	

3 components:

1. Bedrijfsresultaten / operating result;

2. Financiële resultaten / financial result;

3. Taxes

3. Understanding financial statements

Possibilities for presenting the income statement

Belgium

I.	Bedrijfsopbrengsten
II.	Bedrijfskosten
III.	**Bedrijfswinst (Bedrijfsverlies)**
IV.	Financiële opbrengsten
V.	Financiële kosten
VI.	**Winst (Verlies) van het boekjaar voor belasting**
VII.	Overboeking naar (Onttrekking aan) de uitgestelde
VIII.	Belastingen op het resultaat
IX.	**Winst (Verlies) van het boekjaar**
X.	Overboeking naar (Onttrekking aan) de belastingv
XI.	Te bestemmen winst (Te verwerken verlies) van he

Presented according to the nature of the expenses

Bedrijfskosten	Codes
Handelsgoederen, grond- en hulpstoffen	60
Diensten en diverse goederen	61
Bezoldigingen, sociale lasten en pensioenen	62
Afschrijvingen en waardeverminderingen op oprichtingskosten, op immateriële en materiële vaste activa	630
Waardeverminderingen op voorraden, op bestellingen in uitvoering en op handelsvorderingen	631/4
Voorzieningen voor risico's en kosten	635/8
Andere bedrijfskosten	640/8
Als herstructureringskosten geactiveerde bedrijfskosten	649
Niet-recurrente bedrijfskosten	66A

Resultatenrekening (in staffelvorm)
Omzet (opbrengsten)
Kostprijs verkopen
Brutomarge
Andere bedrijfskosten (huur, reclame, afschrijving)
Bedrijfsresultaat
Financiële opbrengsten
Financiële kosten
Resultaat voor belasting
Belastingen op het resultaat
Resultaat

3. Understanding financial statements

Possibilities for presenting the income statement

Nr. | VOL 4

RESULTATENREKENING

	Toel.	Codes	Boekjaar	Vorig boekjaar
Bedrijfsopbrengsten		70/76A		
Omzet	6.10	70		
Voorraad goederen in bewerking en gereed product en bestellingen in uitvoering: toename (afname) (+)/(-)		71		
Geproduceerde vaste activa		72		
Andere bedrijfsopbrengsten	6.10	74		
Niet-recurrente bedrijfsopbrengsten	6.12	76A		
Bedrijfskosten		60/66A		
Handelsgoederen, grond- en hulpstoffen		60		
Aankopen		600/8		
Voorraad: afname (toename) (+)/(-)		609		
Diensten en diverse goederen		61		
Bezoldigingen, sociale lasten en pensioenen (+)/(-)	6.10	62		

Accounting in Europe, 2017
Vol. 14, No. 3, 388–406, https://doi.org/10.1080/17449480.2017.1282617

Check for updates

Voluntary Disclosure of Sales and the Extent of Trade Credit in Small Private Companies

STEFANIE CEUSTERMANS, DIANE BREESCH and JOËL BRANSON

Faculty of Economic and Social Sciences and Solvay Business School, Vrije Universiteit Brussel, Brussels, Belgium

ABSTRACT We examine the association between voluntary financial disclosure and the amount of obtained trade credit in a sample of small private Belgian companies. We argue that voluntary disclosure can help small private companies in mitigating information asymmetries that arise between the company and their suppliers. Using a propensity score matching procedure to control for selection bias, we find that voluntary financial disclosure by small and private companies is positively related to the level of trade credit. This is in line with the traditional view that asymmetric or incomplete information restricts access to external funds.

Nr. | VKT 4

RESULTATENREKENING

	Toel.	Codes	Boekjaar	Vorig boekjaar
Bedrijfsopbrengsten en bedrijfskosten				
Brutomarge (+)/(-)		9900		
Waarvan: niet-recurrente bedrijfsopbrengsten		76A		
Omzet*		70		
Handelsgoederen, grond- en hulpstoffen, diensten en diverse goederen*		60/61		
Bezoldigingen, sociale lasten en pensioenen (+)/(-)	6.4	62		

Nr. | MIC 4

RESULTATENREKENING

	Codes	Boekjaar	Vorig boekjaar
Bedrijfsopbrengsten en bedrijfskosten			
Brutomarge (+)/(-)	9900		
Waarvan: niet-recurrente bedrijfsopbrengsten	76A		
Omzet*	70		
Handelsgoederen, grond- en hulpstoffen, diensten en diverse goederen*	60/61		
Bezoldigingen, sociale lasten en pensioenen (+)/(-)	62		

Bruto margin ~~ added value

3. Understanding financial statements

Possibilities for presenting the income statement

EU/IFRS

➢ Income Statement

	IFRS	Europe	Belgium
Income Statement	2 possibilities:	2 possibilities:	1 possibility
	- Nature - Function	- Nature - Function	- *Nature*

3. Understanding financial statements

Possibilities for presenting the income statement

IFRS

Consolidated income statement

(in million EUR)	Note	2018/19[1]	2017/18
Revenue	3.	9.433,9	9.030,6
Cost of goods sold	3.	(6.962,7)	(6.681,1)
Gross profit	**3.**	**2.471,2**	**2.349,5**
Other operating income	4.	134,6	111,5
Services and miscellaneous goods	5.	(538,1)	(464,4)
Employee benefit expenses	6.	(1.280,4)	(1.228,8)
Depreciation, amortisation and impairment of non-current assets		(272,2)	(245,8)
Other operating expenses	4.	(29,7)	(33,7)
Operating profit (EBIT)		**485,4**	**488,3**
Finance income	7.	24,5	7,1
Finance costs	7.	(5,4)	(5,7)
Net financial result	**7.**	**19,1**	**1,4**
Share in the result of investments accounted for using the equity method	12., 13.	14,7	29,4
Profit before tax		**519,2**	**519,1**
Income tax expense	8.	(135,3)	(144,7)
Profit for the financial year		**383,9**	**374,4**
Attributable to:			
Non-controlling interests		1,4	1,3
Owners of the parent company		382,5	373,1
Earnings per share (EPS) – basic and diluted (in EUR)	22.	2,78	2,60

(1) The financial year of the French companies has been extended to 31 March 2019. As a result, the financial year 2018/19 includes fifteen months of the results of the French activities (1 January 2018 – 31 March 2019).

EU: UK

Harrods Group (Holding) Limited

Consolidated Statement of Comprehensive Income
For the Period Ended 30 January 2016

	Note	52 weeks ended 30 January 2016 £M	*52 weeks ended 31 January 2015 £M*
Turnover	2	**839.7**	*821.5*
Cost of sales		**(355.0)**	*(365.5)*
Gross profit		**484.7**	*456.0*
Distribution costs		**(257.7)**	*(288.3)*
Administrative expenses		**(68.1)**	*(57.2)*
Other operating income	3	**32.6**	*32.2*
Fair value movements		**4.4**	*0.2*
Operating profit	3	**195.9**	*142.9*
Interest receivable and similar income	4	**0.4**	*1.9*
Interest payable and expenses	5	**(83.0)**	*(30.6)*
Profit before taxation		**113.3**	*114.2*
Tax on profit	8	**(29.1)**	*(27.0)*
Profit for the period		**84.2**	*87.2*
Attributable to non-controlling interests		**(0.3)**	*0.1*
Profit attributable to owners of the parent company		**83.9**	*87.3*
Actuarial gains/(losses) on defined benefit pension scheme	21	**21.5**	*(30.5)*
Movement of deferred tax relating to pension surplus	21	**(3.9)**	*5.5*
Other comprehensive income for the period		**17.6**	*(25.0)*
Total comprehensive income for the period attributable to owners of the parent company		**101.5**	*62.3*

3. Understanding financial statements

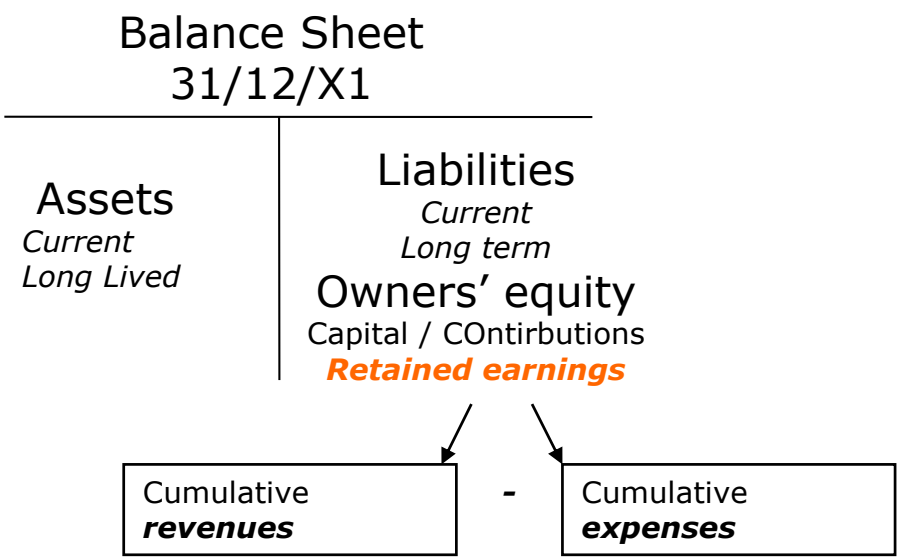
Retained earnings

Balance Sheet
31/12/XX

Assets	Owners' equity
	Capital / Contributions
	Retained earnings
	Liabilities

3. Understanding financial statements

Retained earnings



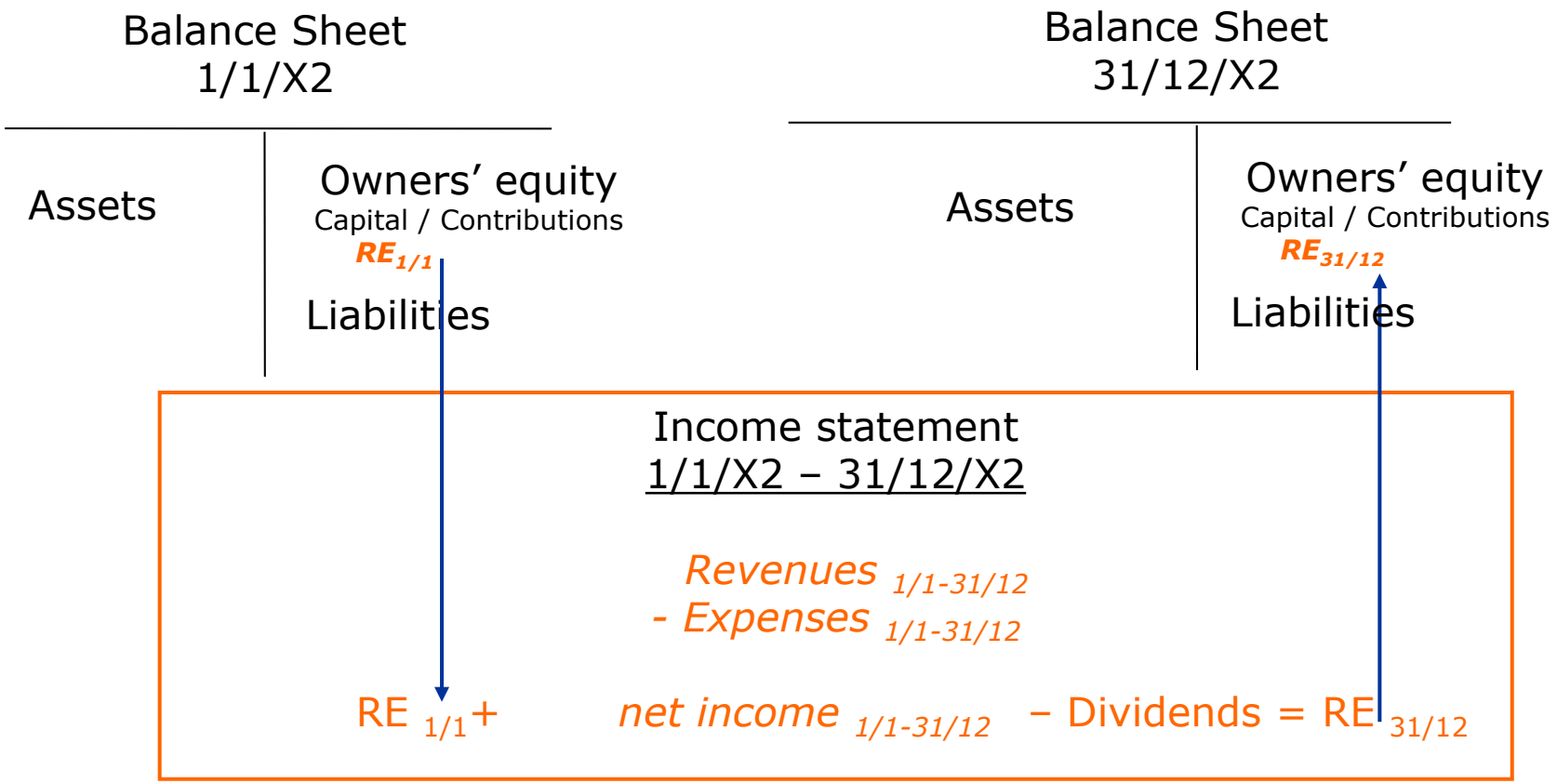
Retained income = additional owners' equity generated by income or profits

- Revenues increase owners' equity.
- Expenses decrease owners' equity.

→ Retained income can be described as the ***cumulative*** lifetime earnings of the company, less its cumulative lifetime losses and dividends.

3. Understanding financial statements

Retained earnings: the link between the balance sheet and the income statement



3. Understanding financial statements

Statement of Owner's equity (Statement of retained income)

DANIELS COMPANY

Statement of Owner's equity

for the Year Ended December 31, 2013

Retained income, July 1, 2001	$108,600
Net income for the year	29,300
Total	$137,900
Dividends declared	10,000
Retained income, June 30, 2002	$127,900

Although dividends decrease retained income, they are *not* treated as *expenses*: dividends are not necessary for the generation of revenue, they are the result of the revenue generation process!

3. Understanding financial statements

A double test for any distribution to the shareholders in a BV

- A different ruleset for the distribution of profits is introduced: the **net assets test** (*nettoactieftest/ test d'actif net*) and the **liquidity test** (*liquiditeitstest/test de liquidité*)
  - **The net assets test**: the general meeting of partners must establish that the distribution of net assets will not result in negative net assets for the company (asset – liabilities);
  - **The liquidity test**: the management body must consequently establish that the actual distribution of net assets will not lead to the situation whereby the company would no longer be able to pay the debts as they become due for a period of at least twelve months.

3. Understanding financial statements

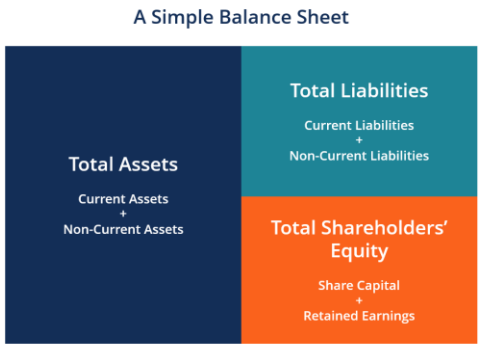
Income Statement Ablynx

Prepared in accordance with International Financial Reporting Standards (IFRS)

	Year ended 31 December		
(€'000)	**2013**	2012	
Revenue:			
Research and development	**33,181**	25,645	
Grants	**2,761**	1,082	
Total revenue	**35,942**	26,727	
Research and development expenses	**(43,699)**	(46,868)	(Note 8.20)
General and administrative expenses	**(10,044)**	(9,409)	(Note 8.21)
Total operating expenses	**(53,743)**	(56,277)	
Other operating income	**131**	204	(Note 8.22)
Other operating expenses	**(3)**	(426)	(Note 8.22)
Operating result	**(17,673)**	(29,772)	
Financial result (net)	**(1,797)**	1,264	
Finance income	**949**	1,452	(Note 8.25)
Finance cost	**(2,746)**	(188)	(Note 8.25)
Loss before taxes	**(19,470)**	(28,508)	
Income tax expense	**0**	0	(Note 8.26)
Loss for the year	**(19,470)**	(28,508)	
Other comprehensive loss			
Fair value gains/losses on available-for-sale financial assets, net of tax	**0**	0	
Total comprehensive income for the period	**(19,470)**	(28,508)	
Loss attributable to equity holders	**(19,470)**	(28,508)	
Total comprehensive loss attributable to equity holders	**(19,470)**	(28,508)	
Basic and diluted loss per share	**(0.41)**	(0.65)	(Note 8.27)

3. Understanding financial statements

Income Statement



Alarm bell procedure NV

Procedure must be followed when a company's:

- ***net assets fall below ½ of its share capital***

→ Board of Directors must convene a general shareholders' meeting within two months (Dissolution requires the approval of a 75% majority of those voting at the general meeting)

→ Board of Directors must compile a special report, to be submitted to the general shareholders' meeting, in which dissolution is proposed or a set of measures to redress company's financial position

→ Procedure is not a recurrent obligation as long as the company's net assets remain below the threshold

→ Non-compliance makes the directors liable

- ***net assets fall below ¼ of its share capital***

→ the dissolution of the company requires only 25% approval

3. Understanding financial statements

Income Statement

Alarm bell procedure NV

Examples of recovery measures:

→ Capital increase

→ Capital reductions by incorporation of losses

→ Implementation of cost reduction plans

→ Renegotiation of credit facilities

→ Description of improved market conditions which can increase turnover. Recovery measures might be not required as the company's position might be temporary

When a company's net assets fall below the legally imposed minimum share capital:

- Any interested third party may ask dissolution of the company even if the alarm bell procedure has been followed

3. Understanding financial statements

Income Statement

Alarm bell procedure BV

The existing alarm bell procedure is adapted in function of the disappearance of the capital concept. **From now on, the alarm bells procedure follows the same rules as those of the distribution to shareholders: The net assets test & The liquidity test**

- As soon as either of these two circumstances arises, Board of Directors must convene a general shareholders' meeting
- Board of Directors must compile a special report, to be submitted to the general shareholders' meeting, in which a set of measures to redress company's financial position
- Only the general meeting can decide to dissolve the company.

Case Study – NewCo

For the following transactions in Year 1, please post their impact on the balance sheet, the income statement and the cash flow statement.

1. Venture Capital firm invests €1,000 of capital in Newco to start operations
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4. Newco buys €100 worth of inventory on credit
5. Newco pays wages of € 100 to employees
6. Newco sells one-half of its inventory for €200 to customers on credit

NewCo Case Study

Transaction 5

NewCo
Balance Sheet
31 December 2013

Assets		Owner's Equity + Liabilities	
Long lived assets	**€ 100**	**Owner's equity**	**€ 1,000**
Land	0	Capital	1,000
Equipment	100		
Current Assets	**€ 2,000**	**Liabilities**	**€ 1,100**
Inventory	100	*Long-term Debt*	1,000
Accounts receivable	0	*Current Liabilities*	
Cash	1,900	Accounts Payable	100
		Wages Payable	0
Total Assets	**€ 2,100**	**Total Liabilities & Owner's Equity**	**€ 2,100**

NewCo Case Study

Transaction 5

NewCo
Balance Sheet
31 December 2013

Assets		Owner's Equity + Liabilities	
Long lived assets	**€ 100**	**Owner's equity**	**€ 1,000** ~~€ 1,900~~
Land	0	Capital	1,000
Equipment	100	Retained Earnings	(100) ~~0~~
Current Assets	**€ 1,900** ~~€ 2,000~~	**Liabilities**	**€ 1,100**
Inventory	100	*Long-term Debt*	1,000
Accounts receivable	0	*Current Liabilities*	
Cash	1,800 ~~1,900~~	Accounts Payable	100
		Wages Payable	0
Total Assets	**€ 2,000** ~~€ 2,100~~	**Total Liabilities & Owner's Equity**	**€ 2,000** ~~€ 2,100~~

Income Statement

Sales	0
Cost of Goods Sold	0
Gross Margin	0
Selling, General, Admin	(100)
Operating Profit	(100)
Interest Expense	0
Income Tax Expense	0
Net Income	(100)

Newco pays wages of €100 to employees

Case Study – NewCo

For the following transactions in Year 1, please post their impact on the balance sheet, the income statement and the cash flow statement.

1. Venture Capital firm invests €1,000 of capital in Newco to start operations
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5. Newco pays wages of € 100 to employees
6. Newco sells one-half of its inventory for € 200 to customers on credit

NewCo Case Study

Transaction 5

NewCo
Balance Sheet
31 December 2013

Assets		Owner's Equity + Liabilities	
Long lived assets	**€ 100**	**Owner's equity**	**€ 1,050**
Land	0	Capital	1,000
Equipment	100	Retained Earnings	(100) 50
Current Assets	**€ 2,050**	**Liabilities**	**€ 1,100**
Inventory	100	*Long-term Debt*	1,000
Accounts receivable	200	*Current Liabilities*	
Cash	**1,800**	Accounts Payable	100
		Wages Payable	0
Total Assets	**€ 2,150**	**Total Liabilities & Owner's Equity**	**€ 2,150**

Income Statement

Sales		200
Cost of Goods Sold		50
	Gross Margin	150
Selling, General, Admin		150
	Operating Profit	150
Interest Expense		0
Income Tax Expense		0
Net Income		150

Newco sells one half of its inventory for €200 to customers on credit

3. Understanding financial statements

40	26/06/2014	BE 0402.206.045	96	EUR		
NAT.	Datum neerlegging	Nr.	Blz.	D.	14231.00082	VOL 1.1

NAT.	Datum neerlegging	Nr. 0402.206.045	Blz.	E.	D.	VOL 1.1

JAARREKENING IN EURO

NAAM: **ETS DELHAIZE FRERES ET CIE "LE LION" (GROUPE DELHAIZE) - GEBROEDERS DELHAIZE EN CIE "DE LEEUW" (DELHAIZE GROEP)**

Rechtsvorm: **NV**

Adres: **RUE OSSEGHEMSTRAAT** Nr.: **53**

Postnummer: **1080** Gemeente: **Sint-Jans-Molenbeek**

Land: **België**

Rechtspersonenregister (RPR) - Rechtbank van Koophandel van **Brussel**

Internetadres *:

Ondernemingsnummer **0402.206.045**

DATUM **8/10/2013** van de neerlegging van de oprichtingsakte OF van het recentste stuk dat de datum van bekendmaking van de oprichtingsakte en van de akte tot statutenwijziging vermeldt.

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met betrekking tot het boekjaar dat de periode dekt van **1/01/2013** tot **31/12/2013**

Vorig boekjaar van **1/01/2012** tot **31/12/2012**

De bedragen van het vorige boekjaar zijn / ~~zijn niet~~ ** identiek met die welke eerder openbaar werden gemaakt.

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JANSSON Mats

Rue De Contamines 15 , 1206 Genève, Zwitserland

Functie : Voorzitter van de raad van bestuur

Mandaat : 26/05/2011- 22/05/2014

BECKERS Pierre-Olivier

Avenue de Sumatra 24 , 1180 Brussel 18, België

Functie : Bestuurder

3. Understanding financial statements

40	26/06/2014	BE 0402.206.045	96	EUR		
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Avenue de Sumatra 24 , 1180 Brussel 18, België

3. Understanding financial statements

47	24/06/2014	BE 0402.206.045	147	EUR		
NAT.	Date du dépôt	N°	P.	D.	14210.00468	CONSO 1.1

NAT.	Date du dépôt	N° 0402.206.045	P.	U.	D.	C 1.1

COMPTES ANNUELS CONSOLIDES **EN EUROS**

DENOMINATION: **ETS DELHAIZE FRERES ET CIE "LE LION" (GROUPE DELHAIZE) - GEBROEDERS DELHAIZE EN CIE "DE LEEUW" (DELHAIZE GROEP)**

Forme juridique: **SA**

Adresse: **RUE OSSEGHEMSTRAAT** N°: **53**

Code postal: **1080** Commune: **Molenbeek-Saint-Jean**

Pays: **Belgique**

Registre des personnes morales (RPM) - Tribunal de Commerce de **Bruxelles**

Adresse Internet *:

Numéro d'entreprise **0402.206.045**

DATE **8/10/2013** du dépôt de l'acte constitutif OU du document le plus récent mentionnant la date de publication des actes constitutif et modificatif(s) des statuts.

COMPTES ANNUELS approuvés par l'assemblée générale du **22/05/2014**

et relatifs à l'exercice couvrant la période du **1/01/2013** au **31/12/2013**

Exercice précédent du **1/01/2012** au **31/12/2012**

Les montants relatifs à l'exercice précédent **sont** / ~~ne sont pas~~ ** identiques à ceux publiés antérieurement

3. Understanding financial statements

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Avenue de Sumatra 24 , 1180 Brussel 18, België

Course Outline

I. Financial Accounting

1. Role of Accounting
2. Legal Framework
3. Understanding Financial Statements
4. Accrual Accounting
5. Generally Accepted Accounting Principles (GAAP)
6. Selected Topics
7. Financial Statement Analysis

II. Tax Basics

III. Management Accounting

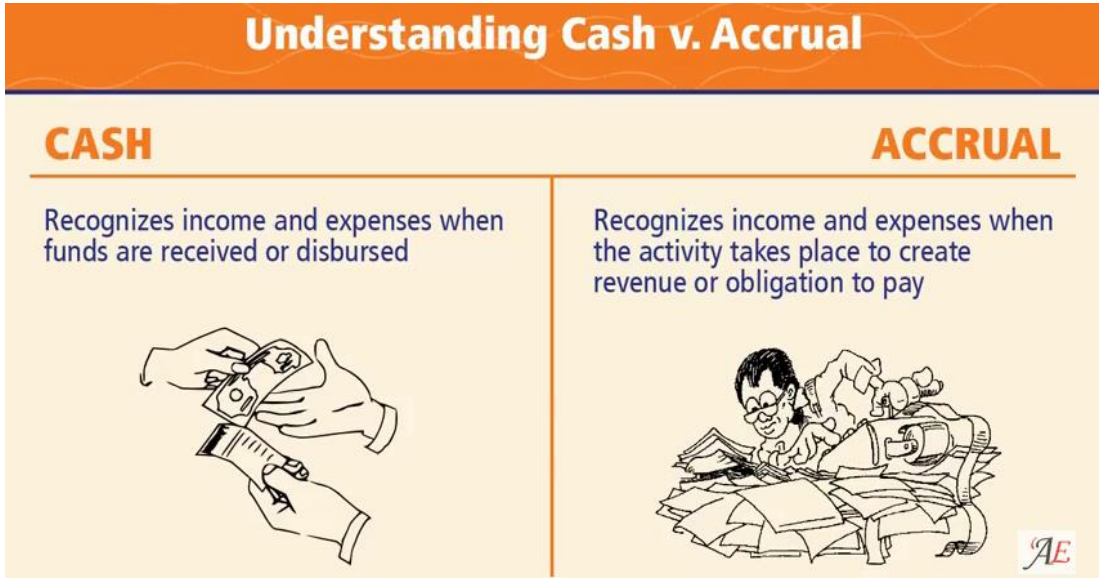
4. Accrual Accounting

Accrual Basis versus Cash Basis

The most common ways of measuring income are the accrual basis and the cash basis.

* Cash basis: recognizes the impact of transactions only when cash is received or disbursed.

* Accrual basis: recognizes the impact of transactions for the time periods when revenues and expenses occur even if no cash changes hands.



4. Accrual Accounting

Accrual Basis versus Cash Basis

Accrual basis

Income statement NewCo 2013		
Sales		**200**
Expenses		
COGS	*50*	
Wages	*100*	
Net Income		**50**

Cash basis

Income statement NewCo 2013		
Cash Receipts		**2,000**
Cash Payments		
Inventory	*100*	
Wages	*100*	
Net Income		**1,800**

4. Accrual Accounting

Revenue recognition

Under the accrual basis revenues are recorded/recognised when:

Earned: goods are delivered or a service is performed

Realised: cash or a *claim* to cash (on credit) is received in exchange for goods or services

For example:

- A *sale on account* is recorded as revenue when the goods are delivered even though the seller receives no cash at that moment.
- *Magazine subscriptions* are received in advance, but the revenue is not earned until the issues are delivered.

4. Accrual Accounting

Expenses

Two types of <u>expenses</u>:

<u>Product costs</u>: cost of inventory linked directly with revenue earned in the same period.

- Without sales there is no cost of goods sold or sales commissions.

<u>Period costs</u>: not directly linked with revenue, but with the time period itself.

- Rent is paid even if no sales are made.

4. Accrual Accounting

Expense recognition - Matching

Under the accrual basis:

Product costs are recorded in the same time period as the related revenues are recognized *(Matching).*

- *e.g. COGS is recorded in the same time period as the related sales. As long as the inventory is not yet sold, it remains an asset on the balance sheet.*

Period costs are recorded in the time period in which they incur.

- *e.g. Rent for January can only be recorded as an expense in January even if the payment has occurred already in December. In December the prepaid rent will be shown as an asset on the balance sheet.*

➔ Assets are unused expenses

4. Accrual Accounting

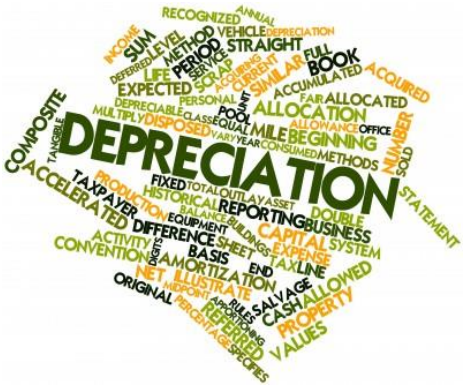
Matching Principle

An example of matching is depreciation.

Depreciation - the systematic allocation of the acquisition cost of long-lived assets or fixed assets to the expense accounts of particular periods that benefit from the use of the assets

Assets are used up over a period of time, so more and more of their original costs are transferred from asset accounts to expense accounts.

Under the **cash** basis, the cost of the asset would be expensed immediately when the asset would be paid for.



4. Accrual Accounting

Accrual Basis versus Cash Basis

The accrual basis is the current accounting standard for the measurement of income.

- Presents a *more complete summary* of what happened during the year.
- Represents best *economic reality*.

Retained earnings is ***not a pot of gold !***

Course Outline

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5. Generally Accepted Accounting Principles (GAAP)

What are GAAP?

- Generally Accepted Accounting Principles (GAAP)
  - *Rules of the game or accounting principles that represent an agreed way of dealing with facts that have occurred within the company*
  - BE GAAP
  - US GAAP
  - IFRS GAAP
  - …

5. Generally Accepted Accounting Principles (GAAP)
True and Fair View

True and Fair View (Getrouw Beeld)

- Most important principle as accounting is no exact science

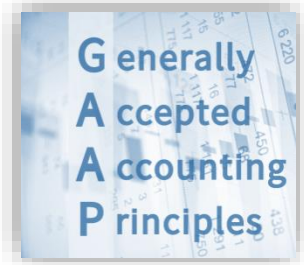
- *Annual financial statements should be prepared on a prudent basis and should give a true and fair view of an undertaking's assets and liabilities, financial position and profit or loss.* (2013/34/EU; art. 24 RD 30th January 2001)

  Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. (IAS 1, §15)

- The application of GAAP is presumed to result in financial statements that achieve a true and fair view.

- *Overriding principle:* In exceptional cases, in which accounting rules are applied and financial statements do not give a true and fair view, companies should depart from accounting rules in order to give a true and fair view.

- Different Approaches: Anglo-saxon ↔ Continental Europe (a.o. Belgium)



5. Generally Accepted Accounting Principles (GAAP)
Conceptual Framework

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Conceptual Framework for Financial Reporting

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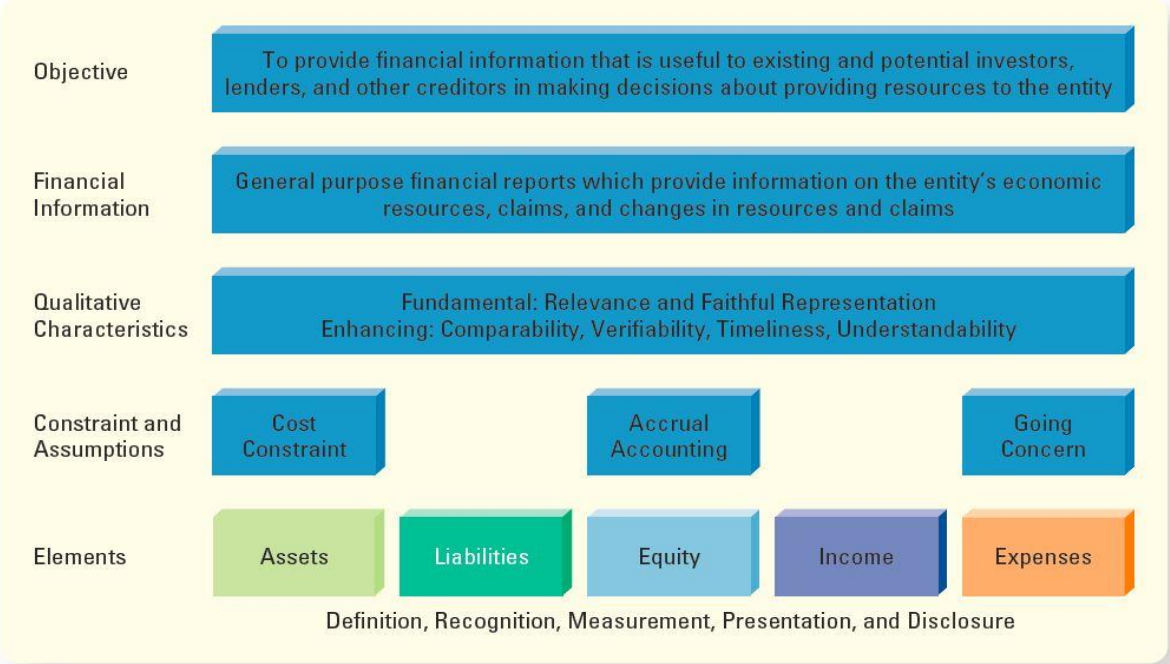


5. Generally Accepted Accounting Principles (GAAP)

Financial information should be…

RELEVANT

Information should be capable of making the difference in making decisions

➔Timeliness

Information must be made available to users *early* enough to help them make decisions

➔*Frequency of Reporting*: at least annually, but for larger companies listed Stock Exchange, interim reports (half-yearly or even quarterly) are required.

➔Materiality

Information must be *important* enough to the user to make a difference to his or her decision if it were omitted or erroneously declared.

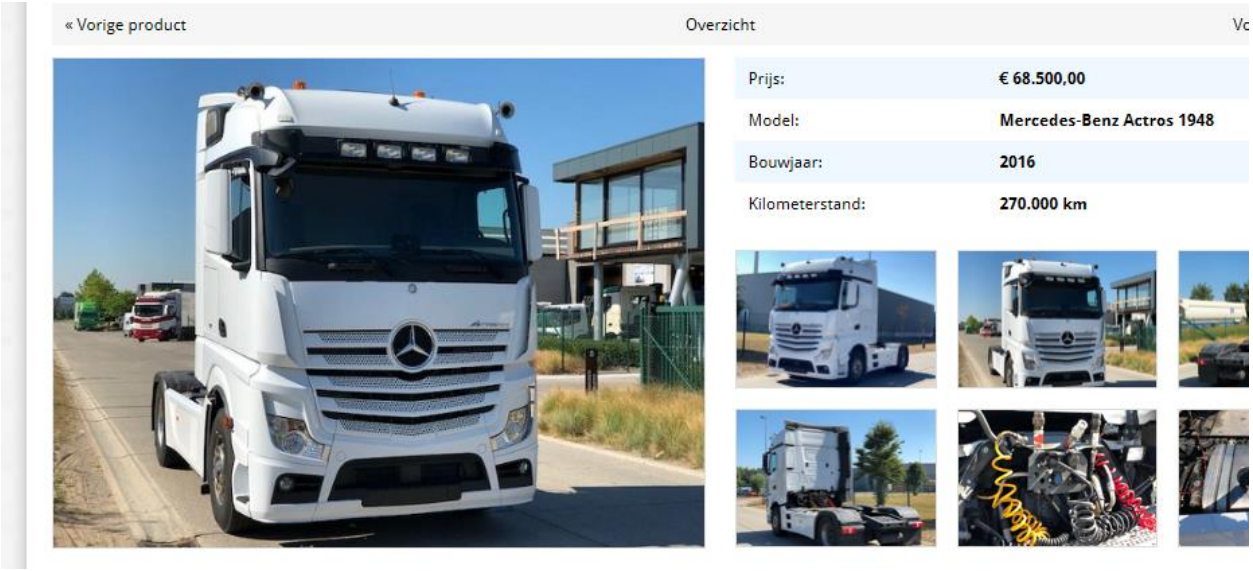
5. Generally Accepted Accounting Principles (GAAP)

Financial information should be…

Materiality

No Depreciation of …

Depreciation of…



5. Generally Accepted Accounting Principles (GAAP)

Financial information should be…

FAITHFULLY REPRESENT the underlying economic phenomenon

Information is

- *complete*: all necessary information is available;

- *neutral*: free of bias [not pessimistic/not optimistic]

Prudence concept: exercise caution when making judgments under conditions of uncertainty (e.g. litigation, doubtful debtors,…);

- *free of error*.

➔ If financial information would not be complete, neutral or free of error, the user would not be able to rely on the financial statements to make his/her decision.

CONTINENTAL EUROPE

CONSERVATISM

Worst-case scenario

anticipating possible future losses but not future gains : opt for accounting methods that

➔Show assets at the lowest value

➔ Show liabilities at the highest value

e.g. Lower the Cost or Market

Unfavorable elements should be taken into account when a reasonable suspicion exists that this could result in a loss. Favorable elements may only be considered if there is reasonable certainty about their realization.

5. Generally Accepted Accounting Principles (GAAP)

Financial information should be…

FAITHFULLY REPRESENT the underlying economic phenomenon

➔ Verifiable

Given the same economic phenomenon two different knowledgeable and independent parties can come to a consensus that the depiction is a faithful representation of the economic phenomenon.

➔ Comparable

- Numbers from previous period(s) that allow readers to understand financial information (*identification of trends*).
- **Consistency (of Presentation and valuation):** Entities are required to maintain the presentation, classification and valuation of items in the financial statements from one period to another (unless sufficiently disclosed)

e.g. - inventory cost allocation methods: FIFO versus weighted average
- depreciation methods: straight-line versus Double Declining Balance

➔ understandability

- Clear presentation
- Explanation of information (sufficient accounting knowledge required).

5. Generally Accepted Accounting Principles (GAAP)

Constraints and assumptions

➔Cost constrains

the cost of preparing the financial statements must be in line with the benefits that users derive from the information

➔Accrual basis of accounting (instead of cash)

recognizes the impact of transactions for the time periods when revenues and expenses ***occur*** even if no cash changes hands

➔Going concern

Refers to an entity's intention to, and its ***ability to, operate into the foreseeable future.*** The assumption that in all ordinary situations an entity persists indefinitely.

5. Generally Accepted Accounting Principles (GAAP)

Going-Concern and Net Book Value

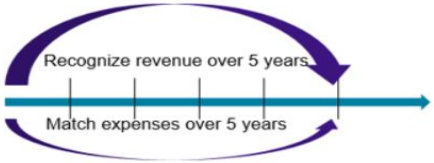
This GC notion implies that a company's existing resources will be *used* to fulfill the business needs of the company *rather than be sold.*

As it is not the primary goal of the company to sell or replace her assets in the near future, a current price (replacement cost or market value) is not the most appropriate value.
Assuming continuity, the company can buy assets with expectations to derive benefits from the use of the assets beyond the current financial period and a valuation at historical cost minus accumulated depreciation or *net book value* is more appropriate.

1 **Straight-line depreciation method:**

- Divide cost of the asset by its useful life
- Equipment:

Cost: $24,000
Useful life: 5 years

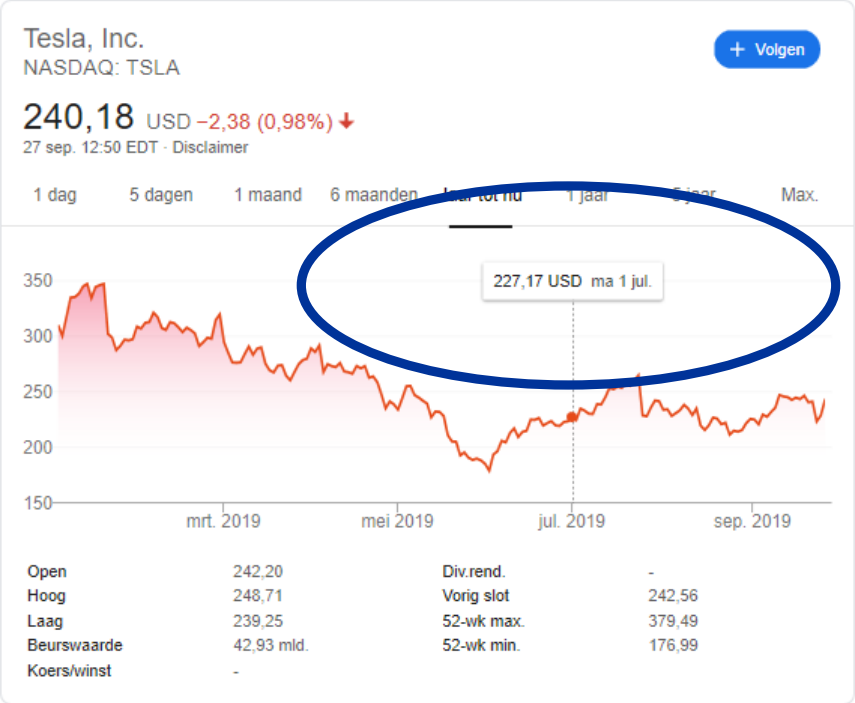


$$\text{Annual depreciation} = \frac{24{,}000}{5}\ \text{year} = 4{,}800 \text{ per year}$$

If the continuity of an entity is in doubt, a liquidation approach to the balance sheet is taken, and the assets and liabilities are valued as if the entity were to be liquidated in the near future *(market value – fair value).*

5. Generally Accepted Accounting Principles (GAAP)
Going-Concern and Net Book Value

Tesla
Marketprice at NASDAQ June 2019



Tesla
Net book value as of June, 30 2019?

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number: 001-34756

Tesla, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	91-2197729 (I.R.S. Employer Identification No.)
3500 Deer Creek Road Palo Alto, California (Address of principal executive offices)	94304 (Zip Code)

(650) 681-5000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None

http://ir.tesla.com/financial-information/quarterly-results

5. Generally Accepted Accounting Principles (GAAP)

Going-Concern and Net Book Value

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Tesla, Inc.

Consolidated Balance Sheets
(in thousands, except for par values)
(unaudited)

	June 30, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 4,954,740	$ 3,685,618
Restricted cash	128,006	192,551
Accounts receivable, net	1,147,100	949,022
Inventory	3,382,358	3,113,446
Prepaid expenses and other current assets	569,748	365,671
Total current assets	10,181,952	8,306,308
Operating lease vehicles, net	2,069,540	2,089,758
Solar energy systems, net	6,200,704	6,271,396
Property, plant and equipment, net	10,082,458	11,330,077
Operating lease right-of-use assets	1,248,277	—
Intangible assets, net	327,358	282,492
Goodwill	153,475	68,159
MyPower customer notes receivable, net of current portion	400,308	421,548
Restricted cash, net of current portion	365,547	398,219
Other assets	842,978	571,657
Total assets	$ 31,872,597	$ 29,739,614
Liabilities		
Current liabilities		
Accounts payable	$ 3,133,587	$ 3,404,451
Accrued liabilities and other	2,622,943	2,094,253
Deferred revenue	883,293	630,292
Resale value guarantees	526,758	502,840
Customer deposits	631,107	792,601
Current portion of long-term debt and finance leases	1,791,085	2,567,699
Total current liabilities	9,588,773	9,992,136
Long-term debt and finance leases, net of current portion	11,234,401	9,403,672
Deferred revenue, net of current portion	1,182,042	990,873
Resale value guarantees, net of current portion	61,200	328,926
Other long-term liabilities	2,655,720	2,710,403
Total liabilities	24,722,136	23,426,010
Commitments and contingencies (Note 15)		
Redeemable noncontrolling interests in subsidiaries	580,227	555,964
Equity		
Stockholders' equity		
Preferred stock; $0.001 par value; 100,000 shares authorized; no shares issued and outstanding	—	—
Common stock; $0.001 par value; 2,000,000 shares authorized; 179,118 and 172,603 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	179	173
Additional paid-in capital	12,052,458	10,249,120
Accumulated other comprehensive loss	(5,605)	(8,218)
Accumulated deficit	(6,331,639)	(5,317,832)
Total stockholders' equity	5,715,393	4,923,243
Noncontrolling interests in subsidiaries	854,841	834,397
Total liabilities and equity	$ 31,872,597	$ 29,739,614

The accompanying notes are an integral part of these consolidated financial statements.

Total stockholders' equity/numbers of shares

= $ 5.715.393/179,118 shares

= $ 31,91

5. Generally Accepted Accounting Principles (GAAP)
Going-Concern

Art. 96.6

If the company presents

- Losses for two consecutive years or;
- Negative retained earnings in the balance sheet

→ Board of Directors must justify the reason for keeping the valuation rules for a going concern

Examples of justifying valuation rules for a going concern

- Cash flow is positive and losses are due to high depreciations or an important impairment
- Company's client portfolio is changing and management expects profit in the coming years

Aim

- Make the board think about continuity vs discontinuity
- Safeguard the true and fair view of the financial statements

Course Outline

I. Financial Accounting

1. Role of Accounting
2. Legal Framework
3. Understanding Financial Statements
4. Accrual Accounting
5. Generally Accepted Accounting Principles (GAAP)
6. Selected Topics
7. Financial Statement Analysis

II. Tax Basics

III. Management Accounting

Course Outline

I. Financial Accounting

1. Role of Accounting
2. Legal Framework
3. Understanding Financial Statements
4. Accrual Accounting
5. Generally Accepted Accounting Principles (GAAP)
6. Selected Topics
    - 6.1. Leasing

6. Selected Topics
Leasing

Financial leasing or full-payout lease – a contractual arrangement calling for the lessee (user) to pay annuities to the lessor (the legal owner of an asset) for use of an asset.

6. Selected Topics - Leasing
Qualifying criteria (BE GAAP)

- Transfers substantially all the risks and benefits of ownership to the lessee

- The sum of the lease payments (annuities), must be equal to or greater than the lessor's investment in the leased asset, including interest and other transaction costs

If the lease does not meet this definition of financial lease:

→ Operational lease / Rent

6. Selected Topics - Leasing
Substance over form

Accounting treatment

The leased item must be recorded as if it were sold by the lessor and purchased by the lessee: creates assets and liabilities in the accounts of the lessee

= (on-balancing)

Substance over form

6. Selected Topics - Leasing
Example

NewCo
Balance Sheet
31 December 2015

Assets		Owner's Equity + Liabilities	
Long lived assets	**€ 1,000**	**Owner's equity**	
Land	0	Capital	**€ 0**
Equipment (Leased)	€ 1,000		0
Current Assets	**€ 0**	**Liabilities**	
Inventory	0	*Long-term Debt (Leasehold liability)*	**€ 1,000**
Accounts receivable	0		€ 1,000
Cash	0	*Current Liabilities*	
		Accounts Payable	0
		Wages Payable	0
Total Assets	**€ 1,000**	**Total Liabilities & Owner's Equity**	**€ 1,000**

6. Selected Topics - Leasing
Lessee (BE GAAP)

Accounting treatment: Lessee

- *Beginning contract:* Recorded as a fixed asset and a financial debt reflecting future annuities, both at an amount equal to the capital portion of the leased asset. The option price is not included.

- *During contract:*
  - Depreciation
  - The capital portion is recorded as a reduction of the outstanding debt and the interest portion as a financial cost.

6. Selected Topics - Leasing
Lessor (BE GAAP)

Accounting treatment: Lessor

- *Beginning contract: A receivable is recorded at the beginning of the lease, equaling the sum of the capital.*

- *During contract:*
  The capital component received is recorded as a reduction of the receivable and the interest component is recorded as a finance income (or sales) in the income statement.

6. Selected Topics - Leasing
Operating Leasing (BE GAAP)

Operating leasing or renting or non full-payout lease - any lease other than a financial lease

6. Selected Topics - Leasing
Operating Leasing (BE GAAP)

Accounting treatment

- Rented assets stay on the balance sheet of the lender

- The full rental fee is recorded as an operating costs

  = (Off-balancing)

6. Selected Topics - Leasing
Operating Leasing (BE GAAP)

NewCo
Balance Sheet
31 December 2013

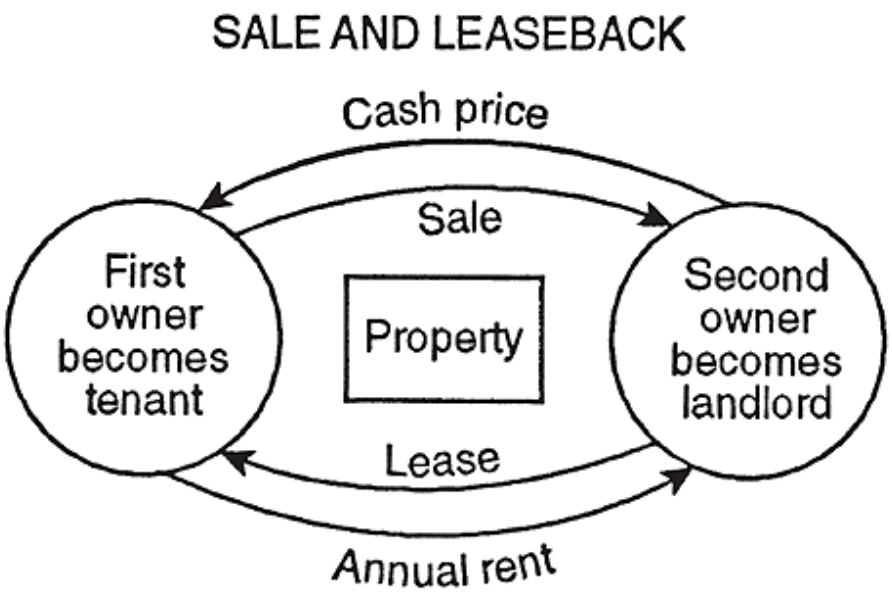
Assets		Owner's Equity + Liabilities	
Long lived assets	**€ 0**	**Owner's equity**	**€ (100)**
Land	0	Capital	0
Equipment	100	Retained Earnings	(100)
Current Assets	**€ (100)**	**Liabilities**	**€ 0**
Inventory	0	*Long-term Debt*	0
Accounts receivable	0	*Current Liabilities*	
Cash	(100)	Accounts Payable	0
		Wages Payable	0
Total Assets	**€ (100)**	**Total Liabilities & Owner's Equity**	**€ (100)**

Income Statement

Sales	0
Cost of Goods Sold	0
Gross Margin	0
Selling, General, Admin	(100)
Rent	
Operating Profit	(100)
Interest Expense	0
Income Tax Expense	0
Net Income	(100)

6. Selected Topics - Leasing
Sale-and-leaseback

Sale-and-leaseback - Arrangement in which one party sells a property to a buyer and the buyer immediately leases the property back to the seller.



6. Selected Topics - Leasing
Sale-and-leaseback

Accounting treatment

For sale-and-lease-back transactions resulting in a finance lease, the gain or loss realized by the seller-lessee on the transaction is recorded in deferred income and recognized through the income statement at the same rate as the depreciation of the leased assets.

6. Selected Topics - Leasing
Operating versus capital lease

Capital lease
On-balance

Balance Sheet

Assets	Cash	
	Accounts Receivable	
	Inventory	
	Property, Plant, and Equipment	$100
	Total Assets	$100
Liabilities	Accounts Payable	
	Long-term Provision	
	Long-term Debt	$100
	Total Liabilities	$100
Equity	Common Stock	
	Total Equity	
	Total Liabilities and Equity	$100

Income Statement

Sales	
Cost of Goods Sold	
Gross Margin	
Selling, General, Admin	
Depreciation expense	$10
Operating Profit	
Interest Expense	$2
Income Tax Expense	
Net Income	

CF financing activities

Operational lease
Off-balance

Balance Sheet

Assets	Cash
	Accounts Receivable
	Inventory
	Property, Plant, and Equipment
	Total Assets
Liabilities	Accounts Payable
	Long-term Provision
	Long-term Debt
	Total Liabilities
Equity	Common Stock
	Total Equity
	Total Liabilities and Equity

Income Statement

Sales	
Cost of Goods Sold	
Gross Margin	
Selling, General, Admin	
Rent expense	$12
Operating Profit	
Interest Expense	
Income Tax Expense	
Net Income	

CF operating activities

6. Selected Topics - Leasing

What is 'operational' leasing is no longer admitterd?

IFRS 16 – Lease accounting (as of January 1st, 2019)

Upon lease commencement a lessee recognises a right-of-use asset and a lease liability. [IFRS 16:22]

→ Gearing increases

Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. [IFRS 16:30(a)]

→ No longer operational expenses but depreciation

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. [IFRS 16:26]

→ and interest

↓

EBITDA
(CF from operational activities) increases

Recognition exemptions

Instead of applying the recognition requirements of IFRS 16 described below, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

i) leases with a lease term of 12 months or less and containing no purchase options – this election is made by class of underlying asset; and

ii) leases where the underlying asset has a low value when new (such as personal computers or small items of office furniture) – this election can be made on a lease-by-lease basis.

[IFRS 16:5, 6 & 8]

6. Selected Topics - Leasing

What is 'operational' leasing is no longer admitterd?

IFRS 16 – Lease accounting (as of January 1st, 2019)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION / ASSETS IN '000 €	Note	30/06/2019	31/12/2018
Intangible assets		10 292	9 663
Goodwill	8	115 417	94 863
Property, plant and equipment		436 679	424 339
Right-of-use assets	3	316 530	
Investment property		17 050	17 045
Deferred tax assets		1 359	1 427
Other receivables		11 157	10 786
Other financial assets		27	27
Non-current assets		908 511	558 150
Inventories		5 476	4 918
Trade and other receivables		38 923	42 998
Current tax assets		1 583	2 416
Cash and cash equivalents		24 970	65 381
Assets classified as held for sale	9	6 856	6 991
Current assets		77 808	122 704
TOTAL ASSETS		986 319	680 854

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION / EQUITY AND LIABILITIES IN '000 €	Note	30/06/2019	31/12/2018
Share capital		18 952	18 952
Share premium		1 154	1 154
Consolidated reserves		155 839	161 461
Translation reserve		597	-4 164
Total equity attributable to owners of the Company		176 542	177 403
Non-controlling interests		258	214
Equity		176 800	177 617
Other loans and borrowings	6 + 7	266 018	272 677
Lease liabilities	3	306 698	
Provision for employee benefits		554	557
Provisions		2 086	14 565
Deferred tax liabilities		20 143	20 518
Derivative financial instruments		224	211
Other payables		7 373	10 977
Non-current liabilities		603 096	319 505
Bank overdrafts		6	36
Other loans and borrowings	6 + 7	70 099	69 790
Lease liabilities	3	29 020	
Trade and other payables		99 743	106 328
Provisions		833	2 241
Current tax liabilities		6 722	5 337
Current liabilities		206 423	183 732
TOTAL EQUITY AND LIABILITIES		986 319	680 854

* The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Comparative information is not restated. The initial application of IFRS 16 has had no impact on the opening equity.

The notes on pages 1 to 11 are an integral part of the condensed consolidated interim financial statements

De Standaard Meest recent Video Audio Binnenland Buitenland Opinie Economie Cultuur Meer

VRIJDAG 23 AUGUSTUS 2019 - ECONOMIE

MERKWAARDIG BOEKHOUDKUNDIG FENOMEEN

Oeps, schuld Kinepolis verdubbelt! Of toch niet?

De toepassing van nieuwe boekhoudregels zet de resultaten van Kinepolis op zijn kop. Het was schrikken voor beleggers.

KINEPOLIS

Kinepolis Group
Half-yearly Financial Report 30 June 2019
Regulatory release - 22 August 2019

Consistent implementation of business and expansion strategy results in 7.3% higher revenue and 10.6% higher EBITDA for Kinepolis in the first half-year

RECONCILIATION GEARING RATIO IN '000€	30 June 2019	31 December 2018
Net financial debt	646 567	276 818
Equity	176 800	177 617
GEARING RATIO	3,66	1,56

RECONCILIATION FREE CASH FLOW IN '000€	30 June 2019	30 June 2018
Cash flow from operating activities	63 772	35 034
Income taxes paid	-6 443	-7 426
Maintenance capital expenditures for intangible assets, property, plant and equipment and investment property	-12 372	-5 279
Interest paid	-6 568	-6 756
Payment of lease liabilities	-13 353	
Free cash flow	25 036	15 573

https://corporate.kinepolis.com/sites/default/files/media/11289/EN%20HY%20press%20release%20H1%202019%20FINAL.pdf