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Managing financial resources Classes 1

Faculty of Economics



Parts of the financial statement

- balance sheet,
- profit and loss statement,
- additional information,
- cash flow statement,
- statement of changes in capital,
- report of activities

Resources

Real

Assets

Active side of the
balance sheet

Capital

Equity + Liabilities

Passive side of the
balance sheet

Account	Value (PLN)	Account	Value (PLN)
Paid-in capital	225000	Banking account	28000
Net cash flows	4500	Income Tax	22000
Grinding machine	60000	Bank credit	50000
Warehouse	120000	Accrued payroll	5000
Repayment of borrowings	55000		
Revenue	25000		
Stock capital	120000		
Financial costs	45000		
Royalties	6000		
Chainsaw	65000		
Timber	30000		
Spare parts	10000		
Sale of assets	20000		
Land	50000		
Accounts receivable	35000		
Cash	2000		



At 31 December		\$ million	
	Note	2014	2013
Non-current assets			
Property, plant and equipment	10	130,692	133,690
Goodwill	12	11,868	12,181
Intangible assets	13	20,907	22,039
Investments in joint ventures	14	8,753	9,199
Investments in associates	15	10,403	16,636
Other investments	16	1,228	1,565
Fixed assets		183,851	195,310
Loans		659	763
Trade and other receivables	18	4,787	5,985
Derivative financial instruments	28	4,442	3,509
Prepayments		964	922
Deferred tax assets	7	2,309	985
Defined benefit pension plan surpluses	22	31	1,376
		197,043	208,850
Current assets			
Loans		333	216
Inventories	17	18,373	29,231
Trade and other receivables	18	31,038	39,831
Derivative financial instruments	28	5,165	2,675
Prepayments		1,424	1,388
Current tax receivable		837	512
Other investments	16	329	467
Cash and cash equivalents	23	29,763	22,520
		87,262	96,840
Total assets		284,305	305,690

Current liabilities			
Trade and other payables	20	40,118	47,159
Derivative financial instruments	28	3,689	2,322
Accruals		7,102	8,960
Finance debt	24	6,877	7,381
Current tax payable		2,011	1,945
Provisions	21	3,818	5,045
		63,615	72,812
Non-current liabilities			
Other payables	20	3,587	4,756
Derivative financial instruments	28	3,199	2,225
Accruals		861	547
Finance debt	24	45,977	40,811
Deferred tax liabilities	7	13,893	17,439
Provisions	21	29,080	26,915
Defined benefit pension plan and other post-retirement benefit plan deficits	22	11,451	9,778
		108,048	102,471
Total liabilities		171,663	175,283
Net assets		112,642	130,407
Equity			
BP shareholders' equity	30	111,441	129,302
Non-controlling interests	30	1,201	1,105
Total equity	30	112,642	130,407

Revenues

- economic benefits earned within the accounting periods,
- different sources of revenues ?
- three revenue groups:
 - operational activity sales revenue,
 - other operational activity sales revenue,
 - financial activity sales revenue.

Costs

- purposeful use of resources connected with the company's economic activity during the accounting period,
- expressed in monetary value,
- three groups of costs:
 - operational activity costs:
 - direct,
 - indirect;
 - other operational activity costs,
 - financial activity costs.

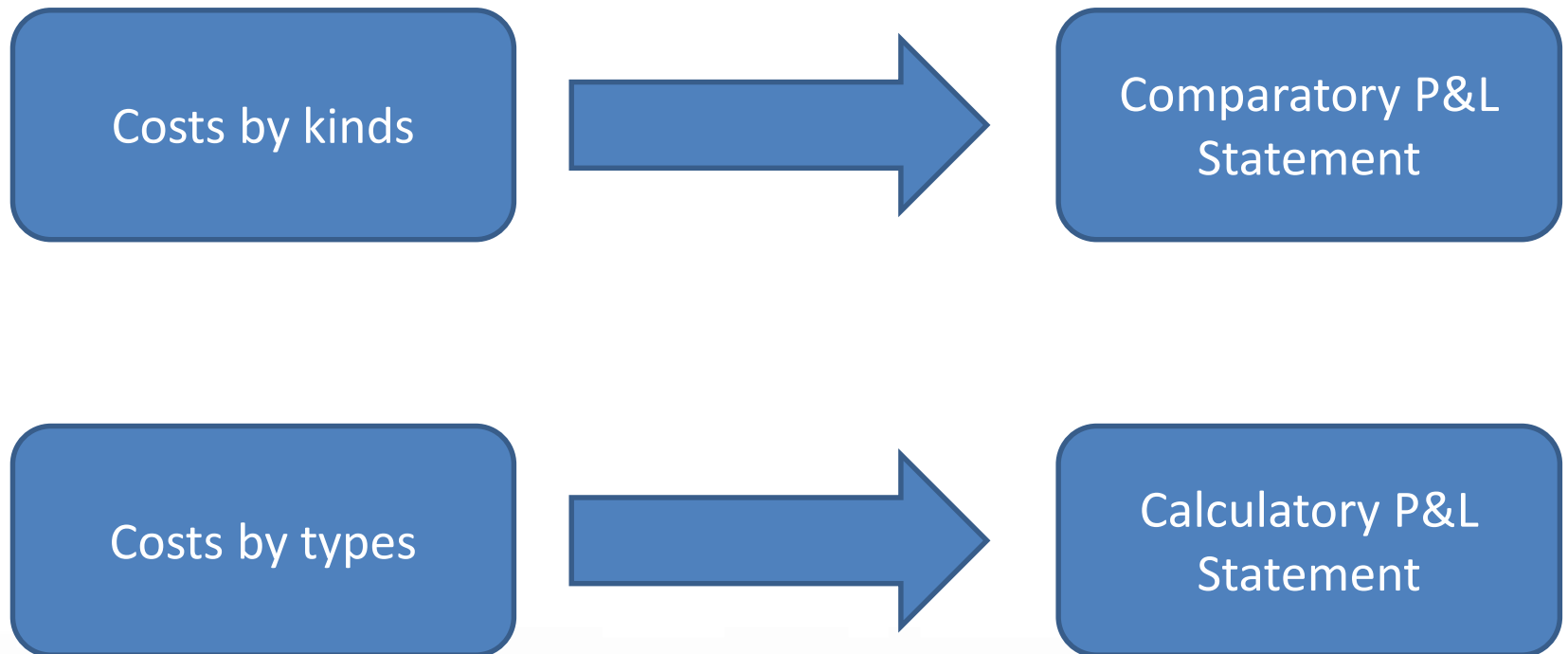
Results

- + revenues
- - corresponding costs
- = results

Cost accounting

- accounts from group no.4 -> costs according to their kinds,
- accounts from group no. 5 -> costs according to their types.

Profit and loss statement



Calculatory P&L Statement		Comparatory P&L Statement	
A.	Sales revenue from products, goods and materials	A.	Sales revenue and equivalents:
	I. Sales revenue from products		I. Sales revenue from products
	II. Sales revenue from goods and materials		II. Change of the value of inventory III. Costs of production for internal purposes
B.	Cost of sold products, goods and materials		IV. Sales revenue from goods and materials
	I. Cost of production of sold products	B.	Costs of operational activity I. Depreciation
	II. Value of sold goods and materials		II. Use of materials and energy III. External services
C.	Gross sales profit / loss (A-B)		IV. Taxes and duties
D.	Costs of sales		V. Salaries
E.	Costs of management		VI. Insurance and benefits
F.	Net sales profit / loss (C-D-E)		VII. Other costs VIII. Value of sold goods and materials
		C.	Net sales profit / loss

Both variants

F.	Net sales profit / loss
G.	Other operational sales revenue, including: <ul style="list-style-type: none">I. Profit on sales of non-financial non-current assetsII. SubsidiesIII. Other operational revenues
H.	Other operational costs, including: <ul style="list-style-type: none">I. Loss on sales of non-financial non-current assetsII. Update on the value of non-financial assetsIII. Other operational costs
I.	Profit / loss on operational activity (F+G-H)
J.	Financial revenues
K.	Financial costs
L.	Profit / loss on economic activity (I+J-K)
M.	Value of extraordinary events
N.	Gross profit / loss (L+/-M)
O.	CIT
P.	Other obligatory profit decreases
R.	Net profit / loss (N-O-P)

Costs according to their kinds

- depreciation,
- use of materials and energy,
- external services,
- taxes and duties,
- salaries,
- insurance and benefits,
- other costs,
- value of sold goods and materials

Costs according to their types

- costs of production (basic activity),
- indirect costs,
- costs of sales,
- costs of management,
- *costs of sold goods.*

Relation between cost calculation and financial result

- Materials pricing;
- Fixed assets valuation;

Materials pricing

- The use of materials is usually valued by their Purchase price
- Purchase price = price of acquisition + cost of Purchase,
- Continuous or Periodical
- Three pricing methods for different Purchase prices:
 - FIFO,
 - LIFO,
 - Weighted mean price method;

At the beginning of January an enterprise owns 20 units of material A. During the month, the following Purchases and usages occurred:

Purchase	Quantity	Unit price	Value	Usage	Quantity	Value
Opening balance	20	11100	222000	Usage nr 1	10	
Purchase nr 1	14	10500	147000	Usage nr 2	20	
Purchase nr 2	32	10800	345600	Usage nr 3	30	
Purchase nr 3	22	11000	242000	Usage nr 4	30	
Purchase nr 4	20	12000	240000			
Purchase nr 5	12	11400	136800			
Sum	120		1333400	Sum	90	

Purchase	Quantity	Unit price	Value	Usage	Quantity	Value
Opening balance	20	11100	222000	Usage nr 1	10	
Purchase nr 1	14	10500	147000	Usage nr 2	20	
Purchase nr 2	32	10800	345600	Usage nr 3	30	
Purchase nr 3	22	11000	242000	Usage nr 4	30	
Purchase nr 4	20	12000	240000	Sum	90	
Purchase nr 5	12	11400	136800			
Sum	120		1333400	Closing	30	



LIFO

Purchase	Quantity	Unit price	Value	Usage	Quantity	Value
Opening balance	20	11100	222000	Usage nr 1	10	
Purchase nr 1	14	10500	147000	Usage nr 2	20	
Purchase nr 2	32	10800	345600	Usage nr 3	30	
Purchase nr 3	22	11000	242000	Usage nr 4	30	
Purchase nr 4	20	12000	240000	Sum	90	
Purchase nr 5	12	11400	136800			
Sum	120		1333400	Closing balance	30	



Weighted mean price

Weighted mean price	Quantity	
		11111,67
Used materials	90	
Closing balance	30	

Comparison

	FIFO	LIFO	Weighted mean price
Used materials	980600	1006400	1000050
Closing balance	352800	327000	333350
Sum	1333400	1333400	1333400

Conclusions?

Depreciation

- The cost which is the equivalent of fixed assets used in the production process
- Connected with the writing-off of fixed assets – the decrease of their initial value due to the usage of fixed assets – accumulated depreciation,
- A cost not connected with an expense
- The value of depreciation depends on:
 - Initial value of the fixed asset,
 - Usage period,
 - Used depreciation method.

Depreciation Methods

- Linear,
- Accelerated Hybrid (Linear-Degressive),
- Degrressive,
- Progressive,
- Natural.

Linear method

- Most widely used,
- Assumes an even usage of the fixed asset,
- Depreciation rate = $\frac{100}{\text{use period (years)}}$,

Accelerated Hybrid Method

- Uneven usage of the fixed assets,
- Higher during the first period, lower by the end of the using period
- Acceleration by the use of corrective coefficient (1,0 - 2,0),
- Acceleration up to the moment when the rate equals the rate calculated using the linear method.

Initial value	Time	Linear method				Hybrid method			
		Rate	Amount	Write-off	Current value	Rate	Amount	Write-off	Current value
1	2	3	4	5	6	7	8	9	10
10000	1	10%	1000	1000	9000	20%	2000	2000	8000
10000	2	10%	1000	1000	8000	20%	1600	1600	6400
10000	3	10%	1000	1000	7000	20%	1280	1280	5120
10000	4	10%	1000	1000	6000	20%	1024	1024	4096
10000	5	10%	1000	1000	5000	20%	819	819	3277
10000	6	10%	1000	1000	4000	20%	655	655	2621
10000	7	10%	1000	1000	3000	20%	524	524	2101
10000	8	10%	1000	1000	2000	20%	419	419	1681
10000	9	10%	1000	1000	1000	20%	335	335	1345
10000	10	10%	1000	1000	0	20%	268	268	1077

Goods pricing

Position	Product group 1	Product group 2	Product group 3	Sum
Direct costs	920000	1230000	350000	2500000
Materials				
Salaries	540000	710000	250000	1500000
	380000	520000	100000	1000000
Overheads				330000
Workhours	1850	2450	700	5000