



Bischoff's Entries and Financial-Statement Effects Workbook

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INTRODUCTION

This Bischoff's Entries and Financial-Statement Effects Workbook will help you review key record-keeping entries and identify their effects on Bischoff's financial statements. There are six pages for each entry that ask you to:

1. Record the entry: Each entry has a brief description of the business context and you are asked to record the entry using the provided chart of accounts.
2. Identify the entry's affects on Bischoff's balance sheet line items and the direction of the effects.
3. Identify the entry's affects on Bischoff's income statement sheet line items and the direction of the effects.
4. Identify the entry's affects on Bischoff's statement of changes in owners' equity line items and the direction of the effects.
5. Identify the entry's affects on Bischoff's cash flow statement line items and the direction of the effects.
6. Extend the exercise using a real company's financial statements to identify line items directly affected by the entry and the direction of the effects. Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

How should you use this workbook? Practice. For each of the above, complete the provided template and check you answers on the next page. Knowing the entry is fundamental to identifying these effects.

These are the entries for Bischoff Global Sportswear (BGS). BGS is a fictitious manufacturing company we use throughout *Navigating Accounting* to help you become more adept at interpreting real companies' financial statements. BGS's accounting policies comply with International Financial Reporting Standards (IFRS). Like many real companies, when IFRS allows judgment or leeway in the implementation of a standard, BGS elects to comply with the equivalent U.S. GAAP standard that may be more specific, but importantly still complies with IFRS. In some cases, the difference between IFRS and U.S. GAAP results in different measures (numbers) for the entry; but the structure of the entry is exactly the same. In other cases, the entries and measures are different. When the difference is significant, you will see a brief note describing the key differences for the related entries.

As you study the entries, you may notice several common synonyms that differ for IFRS and U.S. GAAP. For example, IFRS companies typically disclose "share capital" which is equivalent to U.S. GAAP companies' "common stock" or "finance expense" versus "interest expense". The key is to interpret these in the context of the entry.

Caveat: Keep in mind these entries have a very brief description of the business context and don't provide a substitute for learning the broader concepts, including: how to apply the requisite judgments and accounting standards; how to determine or compute the measures (numbers); how to create financial statements from the entries; how the entries affect footnote disclosures; how to search for information in real companies' reports; and how to interpret or use the numbers. These are very important skills that build on the fundamental understanding of how to record entries and identify their financial-statement effects. See the related chapter videos, text, and exercises.



IFRS GAAP

The entries presented here comply with International Financial Reporting Standards (IFRS). When IFRS allows judgment or leeway in the implementation of a standard, the entries also comply with the equivalent U.S. GAAP standard that may be more specific, but importantly still complies with IFRS.

To learn more about the difference between IFRS and U.S. GAAP, see the related chapter videos. Typically, the last topic in the videos describe the differences, if any.

BASIC ENTRIES AND FINANCIAL-STATEMENT EFFECTS

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS

Current

AR	Accounts receivable
C	Cash and cash equivalents
Inven	Inventories
PrEx	Prepaid expenses
OCA	Other current assets

Non-current

PPE	Property, plant, and equipment, net
PPEhc	PP&E (historical cost)
AcDep	Accumulated depreciation
ONCA	Other non-current assets

LIABILITIES

Current

AP	Accounts payable
AcrL	Accrued liabilities
DivP	Dividend payable
OCL	Other current liabilities

Non-current

LTD	Long-term debt
ONCL	Other non-current liabilities

OWNERS' EQUITY

Permanent

RE	Retained earnings
SCap	Share capital
OPOE	Other permanent owners' equity

Net income

CGS	Cost of goods sold
DepEx	Depreciation expense
G/L	Gain/loss
PPEGL	Gain/Loss on PP&E disposals
ONOGI	Other non-operating gains/losses
IncS	Income summary
MSGA	Miscellaneous SG&A expense
Rev	Revenues, net
OSGA	Other SG&A expense
OOI	Other operating income net of expenses
ONOI	Other non-operating income net of expenses

E1 Issued share capital for cash

During 2013, Bischoff Global Sportswear (BGS) issued common stock to its owners in exchange for \$10 million cash. ["Share capital" is also call "common stock" in this context.]

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E1 Issued share capital for cash

Assets		=	Owners' Eq.			
+	C	=	+	SCap	Debit	Credit
					Cash and cash equivalents	\$10
	+\$10			+\$10	Share capital	\$10

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E1 Issued share capital for cash

Assets		=	Owners' Eq.			
+	C	=	+	SCap	Debit	Credit
					Cash and cash equivalents	\$10
+	+\$10	=	+	+\$10	Share capital	\$10

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- (1) Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- (2) Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- (3) Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- (4) Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- (5) Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Share capital	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E1 Issued share capital for cash

Assets		=	Owners' Eq.		Debit		Credit	
+	C	=	+	SCap				
					Cash and cash equivalents	\$10		
					Share capital		\$10	

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Share capital	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E1 Issued share capital for cash

Assets		=	Owners' Eq.			Debit	Credit
+	C	=	+	SCap			
+	+ \$10	=	+	+ \$10	Cash and cash equivalents	\$10	
					Share capital		\$10

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Share capital	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Common stock issued	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E1 Issued share capital for cash
 During 2013, Bischoff Global Sportswear (BGS) issued common stock to its owners in exchange for \$10 million cash. [“Share capital” is also call “common stock” in this context.]

Record the entry:

E1 Issued share capital for cash					
Assets		=	Owners' Eq.		
					Debit Credit
+	C	=	+	SCap	Cash and cash equivalents \$10
+	+ \$10	=	+	+ \$10	Share capital \$10

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Share capital	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Common stock issued	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Proceeds from issue of share capital	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS		OWNERS' EQUITY	
Current		Permanent	
AR	Accounts receivable	RE	Retained earnings
ARG	Accounts receivable, gross	SCap	Share capital
Allbd	Allowance for bad debts	OPOE	Other permanent owners' equity
Allpr	Allowance for product returns: revenue component	Net income	
C	Cash and cash equivalents	CGS	Cost of goods sold
Inven	Inventories	DepEx	Depreciation expense
FGI	Finished goods inventories	G/L	Gain/loss
Sidr	Segregated inventories: deferred revenue	PPEGL	Gain/Loss on PP&E disposals
Siprc	Segregated inventories: product returns allowance cost component	ONOGL	Other non-operating gains/losses
PrEx	Prepaid expenses	IncS	Income summary
OCA	Other current assets	MSGA	Miscellaneous SG&A expense
Non-current		Rev	Revenues, net
PPE	Property, plant, and equipment, net	Grev	Gross revenue
PPEhc	PP&E (historical cost)	PRCnR	Product returns contra revenue
AcDep	Accumulated depreciation	OSGA	Other SG&A expense
ONCA	Other non-current assets	OOI	Other operating income net of expenses
LIABILITIES		ONOI	Other non-operating income net of expenses
Current			
AP	Accounts payable		
AcrL	Accrued liabilities		
DivP	Dividend payable		
Drev	Deferred revenue		
OCL	Other current liabilities		
Non-current			
LTD	Long-term debt		
ONCL	Other non-current liabilities		

E2 Issued non-current debt for cash

During 2013, BGS borrowed \$10 million cash from several banks and promised to repay this principal with interest over 5-10 years. Loan contracts specified that the borrower (BGS) issued debt to the lender (banks).

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E2 Issued non-current debt for cash

Assets		=	Liabilities			
+	C	=	+	LTD	Debit	Credit
+	+\$10	=	+	+\$10	Cash and cash equivalents	\$10
					Long-term debt	\$10

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E2 Issued non-current debt for cash

Assets		=	Liabilities			
+	C	=	+	LTD	Debit	Credit
					\$10	
	+\$10			+\$10		\$10

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Long-term borrowings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E2 Issued non-current debt for cash

Assets		=	Liabilities			
+	C	=	+	LTD	Debit	Credit
					Cash and cash equivalents	\$10
+	+\$10	=	+	+\$10	Long-term debt	\$10

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Long-term borrowings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E2 Issued non-current debt for cash

Assets		=	Liabilities			
+	C	=	+	LTD	Debit	Credit
+	+\$10	=	+	+\$10	Cash and cash equivalents	\$10
					Long-term debt	\$10

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Long-term borrowings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E2 Issued non-current debt for cash
 During 2013, BGS borrowed \$10 million cash from several banks and promised to repay this principal with interest over 5-10 years. Loan contracts specified that the borrower (BGS) issued debt to the lender (banks).

Record the entry:

E2 Issued non-current debt for cash						
Assets			=	Liabilities		
+	C	=	+	LTD		
+	+\$10	=	+	+\$10		

	Debit	Credit
Cash and cash equivalents	\$10	
Long-term debt		\$10

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Long-term borrowings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Proceeds from borrowings	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS	OWNERS' EQUITY																																																														
<p style="color: blue; margin: 0;">Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p style="color: blue; margin: 0;">Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	<p style="color: blue; margin: 0;">Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p style="color: blue; margin: 0;">Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E3 Purchased PP&E with cash

During 2013, BGS purchased \$20 million of property, plant, and equipment with cash. PP&E are tangible assets used to support day-to-day business operations. Among other things, PP&E includes buildings, manufacturing equipment, furniture, computers, and automobiles.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E3 Purchased PP&E with cash					
Assets			=		
+	C	+	PPEhc	=	
+	-20	+	20	=	
					Debit Credit
					PP&E (historical cost) \$20
					Cash and cash equivalents \$20

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E3 Purchased PP&E with cash					
Assets			=		
+	C	+	PPEhc	=	
+	-20	+	20	=	
					Debit Credit
					PP&E (historical cost) \$20
					Cash and cash equivalents \$20

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Historical cost of PP&E	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E3 Purchased PP&E with cash						
Assets				=		
	C		PPEnc	=	Debit	Credit
+		+		=	PP&E (historical cost)	\$20
+	-20	+	20	=	Cash and cash equivalents	\$20

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
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- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Historical cost of PP&E	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E3 Purchased PP&E with cash						
Assets			=			
+	C	+	PPEhc	=	Debit	Credit
+	-20	+	20	=	PP&E (historical cost)	\$20
+		+		=	Cash and cash equivalents	\$20

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
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- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Historical cost of PP&E	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E3 Purchased PP&E with cash
 During 2013, BGS purchased \$20 million of property, plant, and equipment with cash. PP&E are tangible assets used to support day-to-day business operations. Among other things, PP&E includes buildings, manufacturing equipment, furniture, computers, and automobiles.

Record the entry:

E3 Purchased PP&E with cash						
Assets				=	Debit	Credit
+	C	+	PPEhc	=	PP&E (historical cost)	\$20
+	-20	+	20	=	Cash and cash equivalents	\$20

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Historical cost of PP&E	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Payments for property, plant, and equipment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS	OWNERS' EQUITY																																																														
<p style="color: #0056b3; margin: 0;">Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p style="color: #0056b3; margin: 5px 0 0 0;">Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	<p style="color: #0056b3; margin: 0;">Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p style="color: #0056b3; margin: 5px 0 0 0;">Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E4 Purchased merchandise on account

During 2013, BGS purchased \$80 million of merchandise from other companies on account and was invoiced upon delivery. It plans to resale this merchandise to customers for a profit. These products complement the ones BGS manufactures and allows BGS to meet customers' needs, which reduces the customers' transaction costs.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E4 Purchased merchandise on account for resale

Assets		=	Liabilities			
+	FGI	=	+	AP	Debit	Credit
+	80	=	+	80	Finished goods inventories	\$80
					Accounts payable	\$80

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E4 Purchased merchandise on account for resale

Assets		=	Liabilities			
+	FGI	=	+	AP	Debit	Credit
+	80	=	+	80	Finished goods inventories	\$80
					Accounts payable	\$80

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- (1) Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- (2) Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- (3) Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- (4) Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- (5) Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E4 Purchased merchandise on account for resale

Assets		=	Liabilities		Debit		Credit
+	FGI	=	+	AP			
+	80	=	+	80	Finished goods inventories	\$80	
					Accounts payable		\$80

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

**BISCHOFF GLOBAL SPORTSWEAR
STATEMENT OF CASH FLOWS**

For years ended December 31, 2012 and 2013

(In Millions)	2013	2012
Cash flows from operating activities		
Net profit	\$89	\$76
Adjustments		
(Gain) loss on sale of PP&E	(3)	(3)
Depreciation	32	28
Accounts receivable	0	(38)
Inventories	(32)	(36)
Prepaid expenses	15	13
Accounts payable	(22)	(21)
Accrued liabilities	(12)	(10)
Other	29	16
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>
Cash flows from investing activities		
Payments for property, plant, and equipment	(20)	(17)
Proceeds from disposal of property, plant, and equipment	15	14
Other investing cash flows	<u>(80)</u>	<u>(37)</u>
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>
Cash flows from financing activities		
Proceeds from issue of share capital	10	7
Proceeds from borrowings	10	9
Payment of dividends	(20)	(18)
Other financing cash flows	<u>5</u>	<u>4</u>
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>
Other	2	2
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>
Cash and Cash equivalents at end of year	<u>\$31</u>	<u>\$13</u>

E4 Purchased merchandise on account for resale

Assets		=	Liabilities	
+ FGI	=	+	AP	
+ 80	=	+	80	

	Debit	Credit
Finished goods inventories	\$80	
Accounts payable		\$80

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E4 Purchased merchandise on account for resale
 During 2013, BGS purchased \$80 million of merchandise from other companies on account and was invoiced upon delivery. It plans to resale this merchandise to customers for a profit. These products complement the ones BGS manufactures and allows BGS to meet customers' needs, which reduces the customers' transaction costs.

Record the entry:

E4 Purchased merchandise on account for resale					
Assets			=	Liabilities	
+	FGI	=	+	AP	
+	80	=	+	80	

	Debit	Credit
Finished goods inventories	\$80	
Accounts payable		\$80

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number decreases.)		
	<input type="checkbox"/>	<input type="checkbox"/>	Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number increases.)		

Next step: Extend this exercise using a real company's financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																													
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E5 Paid invoices due

During 2013, BGS paid suppliers \$225 million for goods and services previously purchased on account. Among other things, these include merchandise purchased for resale, materials purchased for manufacturing, advertising services, and utilities. BGS's policy is to pay invoices just in time to avoid penalties.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E5 Paid invoices due

Assets		=	Liabilities		Debit	Credit
+	C	=	+	AP		
+	-\$225	=	+	-\$225	Accounts payable	\$225
					Cash and cash equivalents	\$225

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Net revenues	\$505	\$440
Cost of goods sold	(253)	(220)
Gross profit	252	220
Selling, general, and administrative expenses:		
Depreciation	(7)	(6)
Other selling, general, and administrative	(117)	(105)
Total	(124)	(111)
Other operating income and (expense):		
Gain (loss) on sale of building	3	3
Other	(3)	(3)
Total	0	0
Operating profit	128	109
Other income and (expenses)	1	1
Profit before taxes	129	110
Income tax expense	(40)	(34)
Net profit (loss)	89	76
Other comprehensive income	24	24
Comprehensive income (loss)	\$113	\$100

E5 Paid invoices due

Assets		=	Liabilities			
+	C	=	+	AP	Debit	Credit
+	-	=	+	-	\$225	
						\$225

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts payable	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E5 Paid invoices due

Assets		=	Liabilities			
+	C	=	+	AP	Debit	Credit
					Accounts payable	\$225
+	-\$225	=	+	-\$225	Cash and cash equivalents	\$225

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts payable	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E5 Paid invoices due					
Assets			=	Liabilities	
+	C	=	+	AP	
+	-\$225	=	+	-\$225	
					Debit Credit
					Accounts payable \$225
					Cash and cash equivalents \$225

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts payable	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E5 Paid invoices due
 During 2013, BGS paid suppliers \$225 million for goods and services previously purchased on account. Among other things, these include merchandise purchased for resale, materials purchased for manufacturing, advertising services, and utilities. BGS’s policy is to pay invoices just in time to avoid penalties.

Record the entry:

E5 Paid invoices due					
Assets		=	Liabilities		
+	C	=	+	AP	
+	- \$225	=	+	- \$225	

	Debit	Credit
Accounts payable	\$225	
Cash and cash equivalents		\$225

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts payable	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Accounts payable	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number decreases.)		
	<input type="checkbox"/>	<input type="checkbox"/>	Net cash provided by (used in) operations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS		OWNERS' EQUITY	
Current		Permanent	
AR	Accounts receivable	RE	Retained earnings
ARG	Accounts receivable, gross	SCap	Share capital
Allbd	Allowance for bad debts	OPOE	Other permanent owners' equity
Allpr	Allowance for product returns: revenue component	Net income	
C	Cash and cash equivalents	CGS	Cost of goods sold
Inven	Inventories	DepEx	Depreciation expense
FGI	Finished goods inventories	G/L	Gain/loss
Sidr	Segregated inventories: deferred revenue	PPEGL	Gain/Loss on PP&E disposals
Siprc	Segregated inventories: product returns allowance cost component	ONOGL	Other non-operating gains/losses
PrEx	Prepaid expenses	IncS	Income summary
OCA	Other current assets	MSGA	Miscellaneous SG&A expense
Non-current		Rev	Revenues, net
PPE	Property, plant, and equipment, net	Grev	Gross revenue
PPEhc	PP&E (historical cost)	PRCnR	Product returns contra revenue
AcDep	Accumulated depreciation	OSGA	Other SG&A expense
ONCA	Other non-current assets	OOI	Other operating income net of expenses
LIABILITIES		ONOI	Other non-operating income net of expenses
Current			
AP	Accounts payable		
AcrL	Accrued liabilities		
DivP	Dividend payable		
Drev	Deferred revenue		
OCL	Other current liabilities		
Non-current			
LTD	Long-term debt		
ONCL	Other non-current liabilities		

E6a Recognized revenue when goods were delivered

During 2013, BGS recognized \$415 million of revenues when goods were delivered to customers, which was the same time customers were billed for their purchases on account. For these sales, BGS concluded it met all of the IFRS criteria for revenue recognition when goods were delivered.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E6a Recognized revenue when goods were delivered

Assets		=	Owners' Eq.			Debit	Credit
+	AR	=	+	Rev			
+	+ \$415	=	+	+ \$415	Accounts receivable	\$415	
					Revenues, net		\$415

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
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- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E6a Recognized revenue when goods were delivered

Assets		=	Owners' Eq.			Debit	Credit
+	AR	=	+	Rev	Accounts receivable	\$415	
+	+ \$415	=	+	+ \$415	Revenues, net		\$415

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E6a Recognized revenue when goods were delivered

Assets		=	Owners' Eq.			
+	AR	=	+	Rev	Accounts receivable	\$415
+	+ \$415	=	+	+ \$415	Revenues, net	\$415

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Net revenues	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E6a Recognized revenue when goods were delivered

Assets		=	Owners' Eq.			Debit	Credit
+	AR	=	+	Rev	Accounts receivable	\$415	
+	+ \$415	=	+	+ \$415	Revenues, net		\$415

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Net revenues	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E6a Recognized revenue when goods were delivered
 During 2013, BGS recognized \$415 million of revenues when goods were delivered to customers, which was the same time customers were billed for their purchases on account. For these sales, BGS concluded it met all of the IFRS criteria for revenue recognition when goods were delivered.

Record the entry:

E6a Recognized revenue when goods were delivered					
Assets		=	Owners' Eq.		
					Debit Credit
+	AR	=	+	Rev	Accounts receivable \$415
+	+\$415	=	+	+\$415	Revenues, net \$415

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Net revenues	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Net profit	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Accounts receivable	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number decreases.)	<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS	OWNERS' EQUITY																																																														
<p style="color: #0056b3; margin: 0;">Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p style="color: #0056b3; margin: 0;">Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	<p style="color: #0056b3; margin: 0;">Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p style="color: #0056b3; margin: 0;">Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E6b Recognize product cost when goods were delivered

During 2013, BGS recognized \$208 million of cost of goods sold when goods were delivered to customers. This occurred at the same time revenues were recognized in entry E6a. Entries E6a and E6b could have been combined.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E6b Recognize product cost when goods were delivered

Assets		=	Owners' Eq.			
+	-	=	-	+	Debit	Credit
+	FGI	=	-	CGS		
+	- \$208	=	-	+ \$208	\$208	
					Cost of goods sold	\$208
					Finished goods inventories	\$208

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR			
STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E6b Recognize product cost when goods were delivered

Assets	=	Owners' Eq.	Debit	Credit
+		-		
+	-	+		
FGI	=	CGS		
-	-	+		
\$208	=	\$208		

Cost of goods sold	\$208	
Finished goods inventories		\$208

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E6b Recognize product cost when goods were delivered

Assets		=	Owners' Eq.		Debit		Credit	
+	FGI	=	-	CGS				
+	- \$208	=	-	+ \$208	Cost of goods sold	\$208		
					Finished goods inventories		\$208	

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
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- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Cost of goods sold	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	(Reported negative number decreases.)	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E6b Recognize product cost when goods were delivered

Assets		=	Owners' Eq.			
+	FGI	=	-	CGS	Debit	Credit
					Cost of goods sold	\$208
+	-\$208	=	-	+\$208	Finished goods inventories	\$208

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Cost of goods sold	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	(Reported negative number decreases.)	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E6b Recognize product cost when goods were delivered
 During 2013, BGS recognized \$208 million of cost of goods sold when goods were delivered to customers. This occurred at the same time revenues were recognized in entry E6a. Entries E6a and E6b could have been combined.

Record the entry:

E6b Recognize product cost when goods were delivered					
Assets			=	Owners' Eq.	
+	FGI	=	-	CGS	
+	-\$208	=	-	+\$208	

	Debit	Credit
Cost of goods sold	\$208	
Finished goods inventories		\$208

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Cost of goods sold	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net profit	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<i>(Reported negative number increases.)</i>	<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS		OWNERS' EQUITY	
Current		Permanent	
AR	Accounts receivable	RE	Retained earnings
ARG	Accounts receivable, gross	SCap	Share capital
Allbd	Allowance for bad debts	OPOE	Other permanent owners' equity
Allpr	Allowance for product returns: revenue component	Net income	
C	Cash and cash equivalents	CGS	Cost of goods sold
Inven	Inventories	DepEx	Depreciation expense
FGI	Finished goods inventories	G/L	Gain/loss
Sidr	Segregated inventories: deferred revenue	PPEGL	Gain/Loss on PP&E disposals
Siprc	Segregated inventories: product returns allowance cost component	ONOGL	Other non-operating gains/losses
PrEx	Prepaid expenses	IncS	Income summary
OCA	Other current assets	MSGA	Miscellaneous SG&A expense
Non-current		Rev	Revenues, net
PPE	Property, plant, and equipment, net	Grev	Gross revenue
PPEhc	PP&E (historical cost)	PRCnR	Product returns contra revenue
AcDep	Accumulated depreciation	OSGA	Other SG&A expense
ONCA	Other non-current assets	OOI	Other operating income net of expenses
LIABILITIES		ONOI	Other non-operating income net of expenses
Current			
AP	Accounts payable		
AcrL	Accrued liabilities		
DivP	Dividend payable		
Drev	Deferred revenue		
OCL	Other current liabilities		
Non-current			
LTD	Long-term debt		
ONCL	Other non-current liabilities		

E7 Collected amounts from customers

During 2013, BGS collected \$380 million from customers who had been billed earlier when goods were delivered. BGS recognizes revenue when it concludes the IFRS revenue recognition criteria are met, which can occur at times other than when cash is collected. For this reason, revenue is recorded separately from collections.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E7 Collected amounts due from customers						
Assets				=		
+	C	+	ARG	=	Debit	Credit
	380		-380	=	Cash and cash equivalents	\$380
					Accounts receivable, gross	\$380

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E7 Collected amounts due from customers						
Assets				=		
+	C	+	ARG	=	Debit	Credit
					\$380	
	380		-380			\$380

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Accounts receivable, net	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E7 Collected amounts due from customers						
Assets				=		
+	C	+	ARG	=	Debit	Credit
					Cash and cash equivalents	\$380
	380		-380		Accounts receivable, gross	\$380

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accounts receivable, net	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY		
Line Items	Increases	Decreases
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E7 Collected amounts due from customers						
Assets				=		
+	C	+	ARG	=	Debit	Credit
	380		-380	=	Cash and cash equivalents	\$380
					Accounts receivable, gross	\$380

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accounts receivable, net	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E7 Collected amounts due from customers
 During 2013, BGS collected \$380 million from customers who had been billed earlier when goods were delivered. BGS recognizes revenue when it concludes the IFRS revenue recognition criteria are met, which can occur at times other than when cash is collected. For this reason, revenue is recorded separately from collections.

Record the entry:

E7 Collected amounts due from customers						
Assets				=	Debit	Credit
+	C	+	ARG	=	Cash and cash equivalents	\$380
+	380	+	-380	=	Accounts receivable, gross	\$380

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accounts receivable, net	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Accounts receivable	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number increases.)		
	<input type="checkbox"/>	<input type="checkbox"/>	Net cash provided by (used in) operations	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS	OWNERS' EQUITY																																																														
<p style="color: blue; margin: 0;">Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p style="color: blue; margin: 0;">Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	<p style="color: blue; margin: 0;">Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p style="color: blue; margin: 0;">Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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<p style="color: blue; margin: 0;">LIABILITIES</p> <p style="color: blue; margin: 0;">Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AP</td><td>Accounts payable</td></tr> <tr><td>AcrL</td><td>Accrued liabilities</td></tr> <tr><td>DivP</td><td>Dividend payable</td></tr> <tr><td>Drev</td><td>Deferred revenue</td></tr> <tr><td>OCL</td><td>Other current liabilities</td></tr> </table> <p style="color: blue; margin: 0;">Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>LTD</td><td>Long-term debt</td></tr> <tr><td>ONCL</td><td>Other non-current liabilities</td></tr> </table>	AP	Accounts payable	AcrL	Accrued liabilities	DivP	Dividend payable	Drev	Deferred revenue	OCL	Other current liabilities	LTD	Long-term debt	ONCL	Other non-current liabilities																																																	
AP	Accounts payable																																																														
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ONCL	Other non-current liabilities																																																														

E8 Paid previously accrued expenses not invoiced

During 2013, BGS paid \$10 million for previously accrued expenses that are never invoiced. For example, BGS paid employees for work performed during the last few days of 2012. The related expense and obligation had been accrued in a 2012 year-end adjusting entry.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E8 Paid previously accrued expenses not invoiced

Assets		=	Liabilities			
+	C	=	+	AcrL	Debit	Credit
+	-\$10	=	+	-\$10	Accrued liabilities	\$10
					Cash and cash equivalents	\$10

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E8 Paid previously accrued expenses not invoiced

Assets		=	Liabilities			Debit	Credit
+	C	=	+	AcrL			
+	-\$10	=	+	-\$10			

Accrued liabilities	\$10	
Cash and cash equivalents		\$10

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E8 Paid previously accrued expenses not invoiced

Assets		=	Liabilities		Debit		Credit	
+	C	=	+	Acrl				
+	-\$10	=	+	-\$10	Accrued liabilities	\$10		
					Cash and cash equivalents		\$10	

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E8 Paid previously accrued expenses not invoiced

Assets		=	Liabilities			Debit	Credit
+	C	=	+	AcrL			
+	- \$10	=	+	- \$10		\$10	
					Accrued liabilities		
					Cash and cash equivalents		\$10

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E8 Paid previously accrued expenses not invoiced
 During 2013, BGS paid \$10 million for previously accrued expenses that are never invoiced. For example, BGS paid employees for work performed during the last few days of 2012. The related expense and obligation had been accrued in a 2012 year-end adjusting entry.

Record the entry:

E8 Paid previously accrued expenses not invoiced					
Assets		=	Liabilities		
+	C	=	+	AcrL	
+	-\$10	=	+	-\$10	

	Debit	Credit
Accrued liabilities	\$10	
Cash and cash equivalents		\$10

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number decreases.)		
	<input type="checkbox"/>	<input type="checkbox"/>	Net cash provided by (used in) operations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS		OWNERS' EQUITY	
Current		Permanent	
AR	Accounts receivable	RE	Retained earnings
ARG	Accounts receivable, gross	SCap	Share capital
Allbd	Allowance for bad debts	OPOE	Other permanent owners' equity
Allpr	Allowance for product returns: revenue component	Net income	
C	Cash and cash equivalents	CGS	Cost of goods sold
Inven	Inventories	DepEx	Depreciation expense
FGI	Finished goods inventories	G/L	Gain/loss
Sidr	Segregated inventories: deferred revenue	PPEGL	Gain/Loss on PP&E disposals
Siprc	Segregated inventories: product returns allowance cost component	ONOGL	Other non-operating gains/losses
PrEx	Prepaid expenses	IncS	Income summary
OCA	Other current assets	MSGA	Miscellaneous SG&A expense
Non-current		Rev	Revenues, net
PPE	Property, plant, and equipment, net	Grev	Gross revenue
PPEhc	PP&E (historical cost)	PRCnR	Product returns contra revenue
AcDep	Accumulated depreciation	OSGA	Other SG&A expense
ONCA	Other non-current assets	OOI	Other operating income net of expenses
LIABILITIES		ONOI	Other non-operating income net of expenses
Current			
AP	Accounts payable		
AcrL	Accrued liabilities		
DivP	Dividend payable		
Drev	Deferred revenue		
OCL	Other current liabilities		
Non-current			
LTD	Long-term debt		
ONCL	Other non-current liabilities		

E9 Received invoices for previously accrued expenses

During 2013, BGS received \$7 million of invoices for services received and previously expensed in 2012. For example, at the end of 2012, BGS recorded an adjusting entry to expense advertisements that ran the last day of 2012. At that time, BGS was obligated to pay the advertiser but had not been invoiced.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E9 Received invoices for previously accrued expenses

=	Liabilities					Debit	Credit
=	+	AP	+	AcrL		\$7	
=	+	+\$7	+	-\$7			\$7

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR			
STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E9 Received invoices for previously accrued expenses

=	Liabilities				Debit	Credit
=	+	AP	+	AcrL	\$7	
=	+	+\$7	+	-\$7		\$7

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E9 Received invoices for previously accrued expenses

= Liabilities				Debit Credit	
=	+	AP	+	AcrL	
=	+	+\$7	+	-\$7	
				Accrued liabilities	\$7
				Accounts payable	\$7

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E9 Received invoices for previously accrued expenses

=	Liabilities					Debit	Credit
=	+	AP	+	AcrL	Accrued liabilities	\$7	
=	+	+\$7	+	-\$7	Accounts payable		\$7

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E9 Received invoices for previously accrued expenses
 During 2013, BGS received \$7 million of invoices for services received and previously expensed in 2012. For example, at the end of 2012, BGS recorded an adjusting entry to expense advertisements that ran the last day of 2012. At that time, BGS was obligated to pay the advertiser but had not been invoiced.

Record the entry:

E9 Received invoices for previously accrued expenses						
=	Liabilities					
=	+	AP	+	AcrL		
=	+	+\$7	+	-\$7		
					Debit	Credit
				Accrued liabilities	\$7	
				Accounts payable		\$7

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number increases.)		
	<input type="checkbox"/>	<input type="checkbox"/>	Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number decreases.)		

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS	OWNERS' EQUITY
Current	Permanent
AR Accounts receivable	RE Retained earnings
ARG Accounts receivable, gross	SCap Share capital
Allbd Allowance for bad debts	OPOE Other permanent owners' equity
Allprc Allowance for product returns: revenue component	
C Cash and cash equivalents	Net income
Inven Inventories	CGS Cost of goods sold
FGI Finished goods inventories	DepEx Depreciation expense
Sidr Segregated inventories: deferred revenue	G/L Gain/loss
Siprc Segregated inventories: product returns allowance cost component	PPEGL Gain/Loss on PP&E disposals
PrEx Prepaid expenses	ONOGL Other non-operating gains/losses
OCA Other current assets	IncS Income summary
	MSGA Miscellaneous SG&A expense
Non-current	Rev Revenues, net
PPE Property, plant, and equipment, net	Grev Gross revenue
PPEhc PP&E (historical cost)	PRCnR Product returns contra revenue
AcDep Accumulated depreciation	OSGA Other SG&A expense
ONCA Other non-current assets	OOI Other operating income net of expenses
	ONOI Other non-operating income net of expenses
LIABILITIES	
Current	
AP Accounts payable	
AcrL Accrued liabilities	
DivP Dividend payable	
Drev Deferred revenue	
OCL Other current liabilities	
Non-current	
LTD Long-term debt	
ONCL Other non-current liabilities	

E10 Recognized expenses when invoiced

During 2013, BGS recognized \$20 million of expenses for services received and invoiced, but not paid during 2013. For example, BGS recognized expense during 2013 when it received invoices for advertising services received during 2013.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E10 Recognized expenses when invoiced

=	Liabilities	Owners' Eq	Debit	Credit
= +	AP	- MSGA	Miscellaneous SG&A expense	\$20
= +	+ \$20	- + \$20	Accounts payable	\$20

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E10 Recognized expenses when invoiced

=	Liabilities	Owners' Eq	Debit	Credit
= +	AP	- MSGA	\$20	
= +	+ \$20	- + \$20		\$20

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E10 Recognized expenses when invoiced

=	Liabilities	Owners' Eq		Debit	Credit
= +	AP	-	MSG		
= +	+ \$20	-	+ \$20		
			Miscellaneous SG&A expense	\$20	
			Accounts payable		\$20

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other selling, general, and administrative	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	(Reported negative number decreases.)	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	(80)	(37)	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	5	4	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E10 Recognized expenses when invoiced

		Liabilities		Owners' Eq			
		= +	AP	-	MSGA	Debit	Credit
		= +	+ \$20	-	+ \$20	Miscellaneous SG&A expense	\$20
						Accounts payable	\$20

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other selling, general, and administrative <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E10 Recognized expenses when invoiced
 During 2013, BGS recognized \$20 million of expenses for services received and invoiced, but not paid during 2013. For example, BGS recognized expense during 2013 when it received invoices for advertising services received during 2013.

Record the entry:

E10 Recognized expenses when invoiced				
=	Liabilities	Owners' Eq	Debit Credit	
= +	AP	-	MSGA	Miscellaneous SG&A expense \$20
= +	+ \$20	-	+ \$20	Accounts payable \$20

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other selling, general, and administrative <i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net profit	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Accounts payable <i>(Reported negative number increases.)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS	OWNERS' EQUITY
Current	Permanent
AR Accounts receivable	RE Retained earnings
ARG Accounts receivable, gross	SCap Share capital
Allbd Allowance for bad debts	OPOE Other permanent owners' equity
Allpr Allowance for product returns: revenue component	
C Cash and cash equivalents	Net income
Inven Inventories	CGS Cost of goods sold
FGI Finished goods inventories	DepEx Depreciation expense
Sidr Segregated inventories: deferred revenue	G/L Gain/loss
Siprc Segregated inventories: product returns allowance cost component	PPEGL Gain/Loss on PP&E disposals
PrEx Prepaid expenses	ONOGL Other non-operating gains/losses
OCA Other current assets	IncS Income summary
	MSGA Miscellaneous SG&A expense
Non-current	Rev Revenues, net
PPE Property, plant, and equipment, net	Grev Gross revenue
PPEhc PP&E (historical cost)	PRCnR Product returns contra revenue
AcDep Accumulated depreciation	OSGA Other SG&A expense
ONCA Other non-current assets	OOI Other operating income net of expenses
	ONOI Other non-operating income net of expenses
LIABILITIES	
Current	
AP Accounts payable	
AcrL Accrued liabilities	
DivP Dividend payable	
Drev Deferred revenue	
OCL Other current liabilities	
Non-current	
LTD Long-term debt	
ONCL Other non-current liabilities	

E11 Paid expenses when recognized

During 2013, BGS recognized \$30 million of expenses when it paid for services received in 2013. For example, BGS recognized an expense when it paid employees in 2013 for services performed during 2013. Office supplies purchased with cash is another example of a non-invoiced expense recognized when paid.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E11 Paid expenses when recognized

Assets	=	Owners' Eq.	Debit	Credit
+ C	=	- MSGA		
+ - \$30	=	+ \$30		
			Miscellaneous SG&A expense \$30	
				Cash and cash equivalents \$30

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E11 Paid expenses when recognized

Assets		=	Owners' Eq.		Debit Credit	
+	C	=	-	MSGA		
+	- \$30	=	-	+ \$30	Miscellaneous SG&A expense	\$30
					Cash and cash equivalents	\$30

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from - 2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E11 Paid expenses when recognized

Assets		=	Owners' Eq.		Debit		Credit
+	C	=	-	MSGA	Miscellaneous SG&A expense	\$30	
+	- \$30	=	-	+ \$30	Cash and cash equivalents		\$30

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Other selling, general, and administrative <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E11 Paid expenses when recognized

Assets		=	Owners' Eq.		Debit		Credit
+	C	=	-	MSGA			
+	- \$30	=	-	+ \$30	Miscellaneous SG&A expense	\$30	
					Cash and cash equivalents		\$30

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Other selling, general, and administrative <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E11 Paid expenses when recognized
 During 2013, BGS recognized \$30 million of expenses when it paid for services received in 2013. For example, BGS recognized an expense when it paid employees in 2013 for services performed during 2013. Office supplies purchased with cash is another example of a non-invoiced expense recognized when paid.

Record the entry:

E11 Paid expenses when recognized					
Assets			=	Owners' Eq.	
+	C	=	-	MSGA	
+	- \$30	=	-	+ \$30	

	Debit	Credit
Miscellaneous SG&A expense	\$30	
Cash and cash equivalents		\$30

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Other selling, general, and administrative <i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net profit	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Net cash provided by (used in) operations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS	OWNERS' EQUITY																																																														
<p style="color: #0056b3; margin: 0;">Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p style="color: #0056b3; margin: 0;">Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	<p style="color: #0056b3; margin: 0;">Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p style="color: #0056b3; margin: 0;">Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E12 Prepaid future expenses

During 2013, BGS paid \$20 million in advance for services it had not yet received when the payments were made. For example, BGS paid advertisers to create advertisements before the advertisements were created and BGS paid rent before benefiting from the use of buildings.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E12 Prepaid future expenses						
Assets				=	Debit Credit	
+	C	+	PrEx	=	Prepaid expenses	\$20
+	- \$20	+	+ \$20	=	Cash and cash equivalents	\$20

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E12 Prepaid future expenses						
Assets				=		
+	C	+	PrEx	=	Debit	Credit
+	-\$20	+	+\$20	=	Prepaid expenses	\$20
					Cash and cash equivalents	\$20

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- (1) Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- (2) Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- (3) Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- (4) Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- (5) Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Prepaid expenses	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E12 Prepaid future expenses							
Assets				=	Debit		Credit
+	C	+	PrEx	=	Prepaid expenses	\$20	
+	- \$20	+	+ \$20	=	Cash and cash equivalents		\$20

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
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- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Prepaid expenses	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	96	25	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	(80)	(37)	
Net cash provided by (used in) investing activities	(85)	(40)	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	5	4	
Net cash provided by (used in) financing activities	5	2	
Net increase (decrease) in cash during year	16	(13)	
Other	2	2	
Cash and Cash equivalents at start of year	13	24	
Cash and Cash equivalents at end of year	<u>\$31</u>	<u>\$13</u>	

E12 Prepaid future expenses

Assets				=	Debit		Credit
+	C	+	PrEx	=	Prepaid expenses	\$20	
+	- \$20	+	+ \$20	=	Cash and cash equivalents		\$20

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
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- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Prepaid expenses	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E12 Prepaid future expenses
 During 2013, BGS paid \$20 million in advance for services it had not yet received when the payments were made. For example, BGS paid advertisers to create advertisements before the advertisements were created and BGS paid rent before benefiting from the use of buildings.

Record the entry:

E12 Prepaid future expenses						
Assets				=	Debit	Credit
+	C	+	PrEx	=	Prepaid expenses	\$20
+	- \$20	+	+ \$20	=	Cash and cash equivalents	\$20

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Prepaid expenses	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Prepaid expenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Net cash provided by (used in) operations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																													
<p>ASSETS</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table> <p>LIABILITIES</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AP</td><td>Accounts payable</td></tr> <tr><td>AcrL</td><td>Accrued liabilities</td></tr> <tr><td>DivP</td><td>Dividend payable</td></tr> <tr><td>Drev</td><td>Deferred revenue</td></tr> <tr><td>OCL</td><td>Other current liabilities</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>LTD</td><td>Long-term debt</td></tr> <tr><td>ONCL</td><td>Other non-current liabilities</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	AP	Accounts payable	AcrL	Accrued liabilities	DivP	Dividend payable	Drev	Deferred revenue	OCL	Other current liabilities	LTD	Long-term debt	ONCL	Other non-current liabilities	<p>OWNERS' EQUITY</p> <p>Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p>Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGa</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGa	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E13 Recognized expenses before invoiced

At the end of interim reporting periods during 2013, BGS recognized a total of \$3 million of expense for services performed during the periods for which BGS had not yet received invoices by the end of the periods and the timing and amount to be paid in the future was known. For example, advertisements ran on the last day of an interim period for which the fees were known.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E13 Recognized expenses before invoiced

=	Liabilities	Owners' Eq	Debit	Credit
= +	AcrL	- MSGA	Miscellaneous SG&A expense	\$3
= +	+ \$3	- + \$3	Accrued liabilities	\$3

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E13 Recognized expenses before invoiced

		Liabilities		Owners' Eq			
		AcrL	-	MSGA		Debit	Credit
=	+	+	-	-	+		
		\$3			\$3		

Miscellaneous SG&A expense	\$3		
Accrued liabilities			\$3

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E13 Recognized expenses before invoiced

=	Liabilities	Owners' Eq	Debit Credit	
= +	AcrL	-	MSG	
= +	+ \$3	-	+ \$3	
			Miscellaneous SG&A expense	\$3
			Accrued liabilities	\$3

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other selling, general, and administrative <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E13 Recognized expenses before invoiced					
=	Liabilities	Owners' Eq	Debit	Credit	
= +	AcrL	- MSGA			Miscellaneous SG&A expense \$3
= +	+ \$3	- + \$3			Accrued liabilities \$3

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other selling, general, and administrative <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution:

E13 Recognized expenses before invoiced

At the end of interim reporting periods during 2013, BGS recognized a total of \$3 million of expense for services performed during the periods for which BGS had not yet received invoices by the end of the periods and the timing and amount to be paid in the future was known. For example, advertisements ran on the last day of an interim period for which the fees were known.

Record the entry:

E13 Recognized expenses before invoiced				
=	Liabilities	Owners' Eq	Debit Credit	
= +	AcrL	- MSGA	Miscellaneous SG&A expense	\$3
= +	+ \$3	- + \$3	Accrued liabilities	\$3

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other selling, general, and administrative <i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net profit	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Accrued liabilities <i>(Reported negative number increases.)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step:

Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS		OWNERS' EQUITY	
Current		Permanent	
AR	Accounts receivable	RE	Retained earnings
ARG	Accounts receivable, gross	SCap	Share capital
Allbd	Allowance for bad debts	OPOE	Other permanent owners' equity
Allpr	Allowance for product returns: revenue component	Net income	
C	Cash and cash equivalents	CGS	Cost of goods sold
Inven	Inventories	DepEx	Depreciation expense
FGI	Finished goods inventories	G/L	Gain/loss
Sidr	Segregated inventories: deferred revenue	PPEGL	Gain/Loss on PP&E disposals
Siprc	Segregated inventories: product returns allowance cost component	ONOGL	Other non-operating gains/losses
PrEx	Prepaid expenses	IncS	Income summary
OCA	Other current assets	MSGA	Miscellaneous SG&A expense
Non-current		Rev	Revenues, net
PPE	Property, plant, and equipment, net	Grev	Gross revenue
PPEhc	PP&E (historical cost)	PRCnR	Product returns contra revenue
AcDep	Accumulated depreciation	OSGA	Other SG&A expense
ONCA	Other non-current assets	OOI	Other operating income net of expenses
LIABILITIES		ONOI	Other non-operating income net of expenses
Current			
AP	Accounts payable		
AcrL	Accrued liabilities		
DivP	Dividend payable		
Drev	Deferred revenue		
OCL	Other current liabilities		
Non-current			
LTD	Long-term debt		
ONCL	Other non-current liabilities		

E14 Recognized expenses previously pre-paid

At the end of interim reporting periods during 2013, BGS recognized a total of \$25 million of expense for services performed during the interim periods that were prepaid prior to receiving the services. For example, BGS recognized rent expense at month-end, when the monthly rent was prepaid at the start of the month.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E14 Recognized expenses previously prepaid

Assets	=	Owners' Eq.	Debit	Credit
+ PrEx	=	- MSGA		
+ - \$25	=	- + \$25		
			Miscellaneous SG&A expense	\$25
			Prepaid expenses	\$25

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E14 Recognized expenses previously prepaid

Assets	=	Owners' Eq.	Debit	Credit
+ PrEx	=	- MSGA		
+ - \$25	=	- + \$25		
			Miscellaneous SG&A expense	\$25
			Prepaid expenses	\$25

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- (1) Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- (2) Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- (3) Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- (4) Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from - 2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- (5) Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Prepaid expenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E14 Recognized expenses previously prepaid

Assets		=	Owners' Eq.		Debit		Credit
+	PrEx	=	-	MSGA	Miscellaneous SG&A expense	\$25	
+	- \$25	=	-	+ \$25	Prepaid expenses		\$25

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Prepaid expenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Other selling, general, and administrative <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u>\$31</u>	<u>\$13</u>	

E14 Recognized expenses previously prepaid

Assets	=	Owners' Eq.	Debit	Credit
+ PrEx	=	- MSGA		
+ - \$25	=	- + \$25		
			Miscellaneous SG&A expense	\$25
			Prepaid expenses	\$25

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Prepaid expenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Other selling, general, and administrative <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E14 Recognized expenses previously prepaid
 At the end of interim reporting periods during 2013, BGS recognized a total of \$25 million of expense for services performed during the interim periods that were prepaid prior to receiving the services. For example, BGS recognized rent expense at month-end, when the monthly rent was prepaid at the start of the month.

Record the entry:

E14 Recognized expenses previously prepaid					
Assets		=	Owners' Eq.		
+	PrEx	=	-	MSGA	Miscellaneous SG&A expense \$25
+	- \$25	=	-	+ \$25	Prepaid expenses \$25

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Prepaid expenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Other selling, general, and administrative <i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net profit	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Prepaid expenses	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																													
<p>ASSETS</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table> <p>LIABILITIES</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AP</td><td>Accounts payable</td></tr> <tr><td>AcrL</td><td>Accrued liabilities</td></tr> <tr><td>DivP</td><td>Dividend payable</td></tr> <tr><td>Drev</td><td>Deferred revenue</td></tr> <tr><td>OCL</td><td>Other current liabilities</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>LTD</td><td>Long-term debt</td></tr> <tr><td>ONCL</td><td>Other non-current liabilities</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	AP	Accounts payable	AcrL	Accrued liabilities	DivP	Dividend payable	Drev	Deferred revenue	OCL	Other current liabilities	LTD	Long-term debt	ONCL	Other non-current liabilities	<p>OWNERS' EQUITY</p> <p>Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p>Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E15 Recognized depreciation expense

At the end of interim reporting periods during 2013, BGS recognized a total of \$7 million of expense that represented the portion of the historical cost of PP&E used up during the interim periods.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E15 Recognized depreciation expense

Assets	=	Owners' Eq.	Debit	Credit
- AcDep	=	- DepEx		
- + \$7	=	- + \$7	Depreciation expense \$7	
				Accumulated depreciation \$7

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E15 Recognized depreciation expense

Assets	=	Owners' Eq.	Debit	Credit
- AcDep	=	- DepEx		
- + \$7	=	- + \$7	Depreciation expense \$7	
				Accumulated depreciation \$7

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Less accumulated depreciation <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E15 Recognized depreciation expense

Assets		=	Owners' Eq.		Debit		Credit
-	AcDep	=	-	DepEx	Depreciation expense		\$7
-	+ \$7	=	-	+ \$7	Accumulated depreciation		\$7

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Less accumulated depreciation <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Depreciation <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E15 Recognized depreciation expense

Assets	=	Owners' Eq.	Debit	Credit
- AcDep	=	- DepEx		
- + \$7	=	- + \$7	\$7	
			Depreciation expense	\$7
			Accumulated depreciation	\$7

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Less accumulated depreciation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Depreciation	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	(Reported negative number decreases.)	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E15 Recognized depreciation expense
 At the end of interim reporting periods during 2013, BGS recognized a total of \$7 million of expense that represented the portion of the historical cost of PP&E used up during the interim periods.

Record the entry:

E15 Recognized depreciation expense					
Assets		=	Owners' Eq.		
					Debit Credit
-	AcDep	=	-	DepEx	Depreciation expense \$7
-	+ \$7	=	-	+ \$7	Accumulated depreciation \$7

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Less accumulated depreciation <i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Depreciation <i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net profit	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Depreciation	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																													
<p>ASSETS</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table> <p>LIABILITIES</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AP</td><td>Accounts payable</td></tr> <tr><td>AcrL</td><td>Accrued liabilities</td></tr> <tr><td>DivP</td><td>Dividend payable</td></tr> <tr><td>Drev</td><td>Deferred revenue</td></tr> <tr><td>OCL</td><td>Other current liabilities</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>LTD</td><td>Long-term debt</td></tr> <tr><td>ONCL</td><td>Other non-current liabilities</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	AP	Accounts payable	AcrL	Accrued liabilities	DivP	Dividend payable	Drev	Deferred revenue	OCL	Other current liabilities	LTD	Long-term debt	ONCL	Other non-current liabilities	<p>OWNERS' EQUITY</p> <p>Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p>Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E16 Sold PP&E for cash

During 2013, BGS received \$15 million cash when it sold a building with \$20 million of historical cost and \$8 of accumulated depreciation. Consistent with an IFRS option, BGS does not recognize unrealized gains associated with PP&E.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E16 Sold PP&E for cash					
Assets			=	Owners' Eq	
+	C	+	-	-	+
+	C	+	PPEhc	-	AcDep
+	+ \$15	+	- \$20	-	- \$8
=		=		+	PPEGL
=		=		+	+ \$3

	Debit	Credit
Cash and cash equivalents	\$15	
Accumulated depreciation	\$8	
PP&E (historical cost)		\$20
Gain on PP&E disposals		\$3

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Four lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E16 Sold PP&E for cash					
Assets				= Owners' Eq	
+	C	+	-	+	-
+	C	+	PPEhc	-	AcDep
+	+ \$15	+	-\$20	-	-\$8
=	+	+	PPEGL	=	+
=	+	+	+ \$3	=	+

	Debit	Credit
Cash and cash equivalents	\$15	
Accumulated depreciation	\$8	
PP&E (historical cost)		\$20
Gain on PP&E disposals		\$3

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Four lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Historical cost of PP&E	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Less accumulated depreciation <small>(Reported negative number increases.)</small>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E16 Sold PP&E for cash								
Assets				=	Owners' Eq			
+	C	+	PPEhc	-	AcDep	=	+	PPEGL
+	+\$15	+	-\$20	-	-\$8	=	+	+\$3

	Debit	Credit
Cash and cash equivalents	\$15	
Accumulated depreciation	\$8	
PP&E (historical cost)		\$20
Gain on PP&E disposals		\$3

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Gain (loss) on sale of building	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Historical cost of PP&E	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Less accumulated depreciation <i>(Reported negative number increases.)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E16 Sold PP&E for cash					
Assets				= Owners' Eq	
+	C	+	-	+	+
+	+ \$15	+	-	+	+
		PPEhc	AcDep	PPEGL	
		-\$20	-\$8	+\$3	

	Debit	Credit
Cash and cash equivalents	\$15	
Accumulated depreciation	\$8	
PP&E (historical cost)		\$20
Gain on PP&E disposals		\$3

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Gain (loss) on sale of building	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Historical cost of PP&E	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Less accumulated depreciation <small>(Reported negative number increases.)</small>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E16 Sold PP&E for cash
 During 2013, BGS received \$15 million cash when it sold a building with \$20 million of historical cost and \$8 of accumulated depreciation. Consistent with an IFRS option, BGS does not recognize unrealized gains associated with PP&E.

Record the entry:

E16 Sold PP&E for cash							
Assets				=	Owners' Eq		
+	C	+	PPEhc	-	AcDep	= +	PPEGL
+	+\$15	+	-\$20	-	-\$8	= +	+\$3

	Debit	Credit
Cash and cash equivalents	\$15	
Accumulated depreciation	\$8	
PP&E (historical cost)		\$20
Gain on PP&E disposals		\$3

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Gain (loss) on sale of building	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Historical cost of PP&E	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Less accumulated depreciation <i>(Reported negative number increases.)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Net profit	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Gain) loss on sale of PP&E <i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Proceeds from disposal of property, plant, and equipment	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																													
<p>ASSETS</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table> <p>LIABILITIES</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AP</td><td>Accounts payable</td></tr> <tr><td>AcrL</td><td>Accrued liabilities</td></tr> <tr><td>DivP</td><td>Dividend payable</td></tr> <tr><td>Drev</td><td>Deferred revenue</td></tr> <tr><td>OCL</td><td>Other current liabilities</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>LTD</td><td>Long-term debt</td></tr> <tr><td>ONCL</td><td>Other non-current liabilities</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	AP	Accounts payable	AcrL	Accrued liabilities	DivP	Dividend payable	Drev	Deferred revenue	OCL	Other current liabilities	LTD	Long-term debt	ONCL	Other non-current liabilities	<p>OWNERS' EQUITY</p> <p>Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p>Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E17 Declared dividends on share capital

During 2013, BGS declared \$25 million of common stock dividends. When dividends are declared by a company's board of directors, the company is obligated to pay shareholders the declared amount at a future date. ["Share capital" is also called "common stock" in this context.]

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E17 Declared dividends on share capital

=	Liabilities	Owners' Eq	Debit	Credit
= +	DivP	+ RE		
= +	+ \$25	+ - \$25	Retained earnings \$25	
				Dividend payable \$25

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- (1) Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- (2) Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- (3) Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- (4) Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- (5) Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Net revenues	\$505	\$440
Cost of goods sold	(253)	(220)
Gross profit	252	220
Selling, general, and administrative expenses:		
Depreciation	(7)	(6)
Other selling, general, and administrative	(117)	(105)
Total	(124)	(111)
Other operating income and (expense):		
Gain (loss) on sale of building	3	3
Other	(3)	(3)
Total	0	0
Operating profit	128	109
Other income and (expenses)	1	1
Profit before taxes	129	110
Income tax expense	(40)	(34)
Net profit (loss)	89	76
Other comprehensive income	24	24
Comprehensive income (loss)	\$113	\$100

E17 Declared dividends on share capital					
= Liabilities			Owners' Eq		
= + DivP			+ RE		
= + +\$25			+ -\$25		
			Debit Credit		
			Retained earnings	\$25	
			Dividend payable		\$25

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Dividends payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E17 Declared dividends on share capital

=	Liabilities	Owners' Eq		Debit	Credit
= +	DivP	+ RE			
= +	+ \$25	+ - \$25	Retained earnings	\$25	
			Dividend payable		\$25

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Dividends payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	96	25	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	(80)	(37)	
Net cash provided by (used in) investing activities	(85)	(40)	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	5	4	
Net cash provided by (used in) financing activities	5	2	
Net increase (decrease) in cash during year	16	(13)	
Other	2	2	
Cash and Cash equivalents at start of year	13	24	
Cash and Cash equivalents at end of year	<u>\$31</u>	<u>\$13</u>	

E17 Declared dividends on share capital

=		Liabilities	=		Owners' Eq		
= +		DivP	= +		RE	Debit	Credit
= +		+ \$25	= +		- \$25	Retained earnings	\$25
						Dividend payable	\$25

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
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STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Dividends payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Dividends declared <small>(Negatively reported number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E17 Declared dividends on share capital
 During 2013, BGS declared \$25 million of common stock dividends. When dividends are declared by a company’s board of directors, the company is obligated to pay shareholders the declared amount at a future date. [“Share capital” is also call “common stock” in this context.]

Record the entry:

E17 Declared dividends on share capital					
		Liabilities		Owners' Eq	
=	+		+		
		DivP		RE	
		+ \$25		- \$25	

	Debit	Credit
Retained earnings	\$25	
Dividend payable		\$25

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Dividends payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Dividends declared	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
(Negatively reported number decreases.)	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS	OWNERS' EQUITY																																																														
<p style="color: #0056b3; margin: 0;">Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p style="color: #0056b3; margin: 0;">Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	<p style="color: #0056b3; margin: 0;">Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p style="color: #0056b3; margin: 0;">Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E18 Paid dividends on share capital

During 2013, BGS paid \$20 million of previously declared common stock dividends. [“Share capital” is also call “common stock” in this context.]

Record the entry in the space below:

BGS’s policy is to accrue obligations in “Accrued liabilities” when it has NOT received an invoice and recognize obligations in “Accounts payable” when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E18 Paid dividends on share capital

Assets		=	Liabilities		Debit	Credit
+	C	=	+	DivP		
+	- \$20	=	+	- \$20	Dividend payable	\$20
					Cash and cash equivalents	\$20

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- (1) Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- (2) Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- (3) Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- (4) Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- (5) Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E18 Paid dividends on share capital

Assets		=	Liabilities		Debit	Credit
+	C	=	+	DivP		
+	- \$20	=	+	- \$20	\$20	\$20

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from - 2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Dividends payable	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E18 Paid dividends on share capital

Assets		=	Liabilities			
+	C	=	+	DivP	Debit	Credit
					Dividend payable	\$20
+	-\$20	=	+	-\$20	Cash and cash equivalents	\$20

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Dividends payable	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E18 Paid dividends on share capital

Assets		=	Liabilities			
+	C	=	+	DivP	Debit	Credit
+	-\$20	=	+	-\$20	Dividend payable	\$20
					Cash and cash equivalents	\$20

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Dividends payable	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E18 Paid dividends on share capital
 During 2013, BGS paid \$20 million of previously declared common stock dividends. [“Share capital” is also call “common stock” in this context.]

Record the entry:

E18 Paid dividends on share capital					
Assets		=	Liabilities		
+	C	=	+	DivP	Debit Credit
+	- \$20	=	+	- \$20	Dividend payable \$20
					Cash and cash equivalents \$20

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Dividends payable	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Payment of dividends	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number decreases.)	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

REVENUE AND RECEIVABLES ENTRIES AND FINANCIAL-STATEMENT EFFECTS

Related entries:

In addition to the entries in this section, you may want to review the following entries related to this chapter that were covered earlier in this workbook:

- E6a Recognized revenue when goods were delivered [page 35](#)
- E6b Recognize product cost when goods were delivered [page 41](#)
- E7 Collected amounts due from customers [page 47](#)

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS		OWNERS' EQUITY	
Current		Permanent	
AR	Accounts receivable	RE	Retained earnings
ARG	Accounts receivable, gross	SCap	Share capital
Allbd	Allowance for bad debts	OPOE	Other permanent owners' equity
Allpr	Allowance for product returns: revenue component	Net income	
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Inven	Inventories	DepEx	Depreciation expense
FGI	Finished goods inventories	G/L	Gain/loss
Sidr	Segregated inventories: deferred revenue	PPEGL	Gain/Loss on PP&E disposals
Siprc	Segregated inventories: product returns allowance cost component	ONOGL	Other non-operating gains/losses
PrEx	Prepaid expenses	IncS	Income summary
OCA	Other current assets	MSGA	Miscellaneous SG&A expense
Non-current		Rev	Revenues, net
PPE	Property, plant, and equipment, net	Grev	Gross revenue
PPEhc	PP&E (historical cost)	PRCnR	Product returns contra revenue
AcDep	Accumulated depreciation	OSGA	Other SG&A expense
ONCA	Other non-current assets	OOI	Other operating income net of expenses
LIABILITIES		ONOI	Other non-operating income net of expenses
Current			
AP	Accounts payable		
AcrL	Accrued liabilities		
DivP	Dividend payable		
Drev	Deferred revenue		
OCL	Other current liabilities		
Non-current			
LTD	Long-term debt		
ONCL	Other non-current liabilities		

E19a Deferred revenue when goods were delivered

During 2013, BGS deferred recognizing \$100 million of revenues when goods were delivered to customers, which was the same time cash was collected from customers. For these sales, BGS concluded it had not yet met all of the IFRS criteria for revenue recognition when goods were delivered. For example, BGS defers revenue when it can't reliably estimate product returns.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
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Total current assets	502	366	
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Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
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Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E19a Deferred revenue when goods were delivered

Assets		=	Liabilities	
+	C	=	+	Drev
+	+\$100	=	+	+\$100

	Debit	Credit
Cash and cash equivalents	\$100	
Deferred revenue		\$100

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
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- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E19a Deferred revenue when goods were delivered

Assets		=	Liabilities			
+	C	=	+	Drev	Debit	Credit
					Cash and cash equivalents	\$100
	+\$100			+\$100	Deferred revenue	\$100

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Other current liabilities <i>(Deferred revenue liability)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E19a Deferred revenue when goods were delivered

Assets		=	Liabilities	
+	C	=	+	Drev
+	+\$100	=	+	+\$100

	Debit	Credit
Cash and cash equivalents	\$100	
Deferred revenue		\$100

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Other current liabilities <i>(Deferred revenue liability)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Cash flows from operating activities		
Net profit	\$89	\$76
Adjustments		
(Gain) loss on sale of PP&E	(3)	(3)
Depreciation	32	28
Accounts receivable	0	(38)
Inventories	(32)	(36)
Prepaid expenses	15	13
Accounts payable	(22)	(21)
Accrued liabilities	(12)	(10)
Other	29	16
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>
Cash flows from investing activities		
Payments for property, plant, and equipment	(20)	(17)
Proceeds from disposal of property, plant, and equipment	15	14
Other investing cash flows	<u>(80)</u>	<u>(37)</u>
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>
Cash flows from financing activities		
Proceeds from issue of share capital	10	7
Proceeds from borrowings	10	9
Payment of dividends	(20)	(18)
Other financing cash flows	<u>5</u>	<u>4</u>
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>
Other	2	2
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>

E19a Deferred revenue when goods were delivered

Assets		=	Liabilities			
+	C	=	+	Drev	Debit	Credit
+	+\$100	=	+	+\$100	Cash and cash equivalents	\$100
					Deferred revenue	\$100

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Other current liabilities <i>(Deferred revenue liability)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E19a Deferred revenue when goods were delivered
 During 2013, BGS deferred recognizing \$100 million of revenues when goods were delivered to customers, which was the same time cash was collected from customers. For these sales, BGS concluded it had not yet met all of the IFRS criteria for revenue recognition when goods were delivered. For example, BGS defers revenue when it can't reliably estimate product returns.
 Record the entry:

E19a Deferred revenue when goods were delivered					
Assets		=	Liabilities		
+	C	=	+	Drev	
+	+ \$100	=	+	+ \$100	

	Debit	Credit
Cash and cash equivalents	\$100	
Deferred revenue		\$100

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Other current liabilities <i>(Deferred revenue liability)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Other <i>(Deferred revenue liability)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Net cash provided by (used in) operations	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company's financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS		OWNERS' EQUITY	
Current		Permanent	
AR	Accounts receivable	RE	Retained earnings
ARG	Accounts receivable, gross	SCap	Share capital
Allbd	Allowance for bad debts	OPOE	Other permanent owners' equity
Allpr	Allowance for product returns: revenue component	Net income	
C	Cash and cash equivalents	CGS	Cost of goods sold
Inven	Inventories	DepEx	Depreciation expense
FGI	Finished goods inventories	G/L	Gain/loss
Sidr	Segregated inventories: deferred revenue	PPEGL	Gain/Loss on PP&E disposals
Siprc	Segregated inventories: product returns allowance cost component	ONOGL	Other non-operating gains/losses
PrEx	Prepaid expenses	IncS	Income summary
OCA	Other current assets	MSGA	Miscellaneous SG&A expense
Non-current		Rev	Revenues, net
PPE	Property, plant, and equipment, net	Grev	Gross revenue
PPEhc	PP&E (historical cost)	PRCnR	Product returns contra revenue
AcDep	Accumulated depreciation	OSGA	Other SG&A expense
ONCA	Other non-current assets	OOI	Other operating income net of expenses
LIABILITIES		ONOI	Other non-operating income net of expenses
Current			
AP	Accounts payable		
AcrL	Accrued liabilities		
DivP	Dividend payable		
Drev	Deferred revenue		
OCL	Other current liabilities		
Non-current			
LTD	Long-term debt		
ONCL	Other non-current liabilities		

E19b Deferred cost of goods sold when goods were delivered

During 2013, BGS deferred recognizing \$50 million of cost of goods sold when goods were delivered to customers. This occurred at the same time revenues were deferred in entry E19a. BGS's policy is to segregate the cost of delivered inventories from other inventories when revenues are deferred.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	<u>502</u>	<u>366</u>	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	<u>427</u>	<u>374</u>	
Total assets	<u>\$929</u>	<u>\$740</u>	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	<u>109</u>	<u>123</u>	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	<u>207</u>	<u>131</u>	
Total liabilities	<u>316</u>	<u>254</u>	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	<u>613</u>	<u>486</u>	
Total liabilities and stockholders' equity	<u>\$929</u>	<u>\$740</u>	

E19b Deferred CGS when goods were delivered						
Assets				=		
+	FGI	+	Slidr	=	Debit	Credit
+	-\$50	+	+\$50	=		
					Segregated inventories: deferred revenue	\$50
					Finished goods inventories	\$50

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E19b Deferred CGS when goods were delivered						
Assets				=		
+	FGI	+	Slidr	=	Debit	Credit
+	-\$50	+	+\$50	=	Segregated inventories: deferred revenue	\$50
					Finished goods inventories	\$50

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- (1) Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- (2) Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- (3) Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- (4) Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- (5) Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
<small>(Net zero effect. NONE is also acceptable.)</small>					
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E19b Deferred CGS when goods were delivered							
Assets				=	Debit		Credit
+	FGL	+	Slr	=	Segregated inventories: deferred revenue	\$50	
+	-\$50	+	+\$50	=	Finished goods inventories		\$50

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
(Net zero effect. NONE is also acceptable.)				<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E19b Deferred CGS when goods were delivered					
Assets				=	
+	FGI	+	Slidr	=	
+	-\$50	+	+\$50	=	
Debit Credit					
					\$50
					\$50

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
<small>(Net zero effect. NONE is also acceptable.)</small>					
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E19b Deferred cost of goods sold when goods were delivered
 During 2013, BGS deferred recognizing \$50 million of cost of goods sold when goods were delivered to customers. This occurred at the same time revenues were deferred in entry E19a. BGS's policy is to segregate the cost of delivered inventories from other inventories when revenues are deferred.

Record the entry:

Assets					=			Debit	Credit
+	FGI	+	Slr	=					
+	-\$50	+	+\$50	=		Segregated inventories: deferred revenue	\$50		
						Finished goods inventories		\$50	

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
<i>(Net zero effect. NONE is also acceptable.)</i>					
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<i>(Net zero effect. NONE is also acceptable.)</i>					
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company's financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS	OWNERS' EQUITY
Current	Permanent
AR Accounts receivable	RE Retained earnings
ARG Accounts receivable, gross	SCap Share capital
Allbd Allowance for bad debts	OPOE Other permanent owners' equity
Allpr Allowance for product returns: revenue component	
C Cash and cash equivalents	Net income
Inven Inventories	CGS Cost of goods sold
FGI Finished goods inventories	DepEx Depreciation expense
Sidr Segregated inventories: deferred revenue	G/L Gain/loss
Siprc Segregated inventories: product returns allowance cost component	PPEGL Gain/Loss on PP&E disposals
PrEx Prepaid expenses	ONOGL Other non-operating gains/losses
OCA Other current assets	IncS Income summary
	MSGA Miscellaneous SG&A expense
Non-current	Rev Revenues, net
PPE Property, plant, and equipment, net	Grev Gross revenue
PPEhc PP&E (historical cost)	PRCnR Product returns contra revenue
AcDep Accumulated depreciation	OSGA Other SG&A expense
ONCA Other non-current assets	OOI Other operating income net of expenses
	ONOI Other non-operating income net of expenses
LIABILITIES	
Current	
AP Accounts payable	
AcrL Accrued liabilities	
DivP Dividend payable	
Drev Deferred revenue	
OCL Other current liabilities	
Non-current	
LTD Long-term debt	
ONCL Other non-current liabilities	

E20a Recognized previously deferred revenue

During 2013, BGS recognized \$110 million of previously deferred revenues when it concluded it had met all of the IFRS criteria for revenue recognition.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E20a Recognized previously deferred revenue					
=	Liabilities		Owners' Eq		
=	+	Drev	+	Grev	Debit Credit
=	+	-\$110	+	+\$110	Deferred revenue \$110
					Gross revenue \$110

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E20a Recognized previously deferred revenue					
=	Liabilities		Owners' Eq		
=	+	Drev	+	Grev	Debit Credit
=	+	- \$110	+	+ \$110	Deferred revenue \$110
					Gross revenue \$110

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from - 2 to - 3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Other current liabilities <small>(Deferred revenue liability)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E20a Recognized previously deferred revenue					
=	Liabilities		Owners' Eq		
=	+	Drev	+	Grev	Debit Credit
					Deferred revenue \$110
	+	- \$110	+	+ \$110	Gross revenue \$110

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Other current liabilities <small>(Deferred revenue liability)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net revenues	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u>\$31</u>	<u>\$13</u>	

E20a Recognized previously deferred revenue

=		Liabilities	=		Owners' Eq		
= +		Drev	+ +		Grev	Debit	Credit
		- \$110			+ \$110	Deferred revenue	\$110
						Gross revenue	\$110

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Other current liabilities <small>(Deferred revenue liability)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net revenues	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E20a Recognized previously deferred revenue
 During 2013, BGS recognized \$110 million of previously deferred revenues when it concluded it had met all of the IFRS criteria for revenue recognition.

Record the entry:

E20a Recognized previously deferred revenue					
=	Liabilities		Owners' Eq		
=	+	Drev	+	Grev	
	+	-\$110	+	+\$110	

	Debit	Credit
Deferred revenue	\$110	
Gross revenue		\$110

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Other current liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net revenues	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(Deferred revenue liability)				<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Net profit	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Deferred revenue liability)	<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS		OWNERS' EQUITY	
Current		Permanent	
AR	Accounts receivable	RE	Retained earnings
ARG	Accounts receivable, gross	SCap	Share capital
Allbd	Allowance for bad debts	OPOE	Other permanent owners' equity
Allpr	Allowance for product returns: revenue component	Net income	
C	Cash and cash equivalents	CGS	Cost of goods sold
Inven	Inventories	DepEx	Depreciation expense
FGI	Finished goods inventories	G/L	Gain/loss
Sidr	Segregated inventories: deferred revenue	PPEGL	Gain/Loss on PP&E disposals
Siprc	Segregated inventories: product returns allowance cost component	ONOGL	Other non-operating gains/losses
PrEx	Prepaid expenses	IncS	Income summary
OCA	Other current assets	MSGA	Miscellaneous SG&A expense
Non-current		Rev	Revenues, net
PPE	Property, plant, and equipment, net	Grev	Gross revenue
PPEhc	PP&E (historical cost)	PRCnR	Product returns contra revenue
AcDep	Accumulated depreciation	OSGA	Other SG&A expense
ONCA	Other non-current assets	OOI	Other operating income net of expenses
LIABILITIES		ONOI	Other non-operating income net of expenses
Current			
AP	Accounts payable		
AcrL	Accrued liabilities		
DivP	Dividend payable		
Drev	Deferred revenue		
OCL	Other current liabilities		
Non-current			
LTD	Long-term debt		
ONCL	Other non-current liabilities		

E20b Recognized previously deferred cost of good sold

During 2013, BGS recognized \$55 million of previously deferred cost of goods sold. This occurred at the same time revenues were recognized in E20a. Entries E20a and E20b could have been combined. Some companies record these entries at the end of the period, rather than during the period as revenue recognition criteria are met.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E20b Recognized previously deferred CGS

Assets		=	Owners' Eq.		Debit		Credit
+	Slidr	=	-	CGS			
+	-\$55	=	-	+\$55	Cost of goods sold	\$55	
					Segregated inventories: deferred revenue		\$55

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Net revenues	\$505	\$440
Cost of goods sold	(253)	(220)
Gross profit	252	220
Selling, general, and administrative expenses:		
Depreciation	(7)	(6)
Other selling, general, and administrative	(117)	(105)
Total	(124)	(111)
Other operating income and (expense):		
Gain (loss) on sale of building	3	3
Other	(3)	(3)
Total	0	0
Operating profit	128	109
Other income and (expenses)	1	1
Profit before taxes	129	110
Income tax expense	(40)	(34)
Net profit (loss)	89	76
Other comprehensive income	24	24
Comprehensive income (loss)	\$113	\$100

E20b Recognized previously deferred CGS

Assets		=	Owners' Eq.			
+	Slidr	=	-	CGS	Debit	Credit
					\$55	
+	- \$55	=	-	+ \$55		\$55

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E20b Recognized previously deferred CGS

Assets		=	Owners' Eq.		Debit		Credit	
+	Slidr	=	-	CGS				
+	- \$55	=	-	+ \$55	Cost of goods sold	\$55		
					Segregated inventories: deferred revenue		\$55	

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Cost of goods sold	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	(80)	(37)	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	5	4	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u>\$31</u>	<u>\$13</u>	

E20b Recognized previously deferred CGS

Assets		=	Owners' Eq.			
+	Slidr	=	-	CGS	Debit	Credit
					\$55	
	- \$55			+ \$55		\$55

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Cost of goods sold	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E20b Recognized previously deferred cost of good sold
 During 2013, BGS recognized \$55 million of previously deferred cost of goods sold. This occurred at the same time revenues were recognized in E20a. Entries E20a and E20b could have been combined. Some companies record these entries at the end of the period, rather than during the period as revenue recognition criteria are met.
 Record the entry:

E20b Recognized previously deferred CGS					
Assets			=	Owners' Eq.	
				Debit	Credit
+	Slidr	=	-	CGS	
+	- \$55	=	-	+ \$55	
				Cost of goods sold	\$55
				Segregated inventories: deferred revenue	\$55

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Cost of goods sold	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net profit	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<i>(Reported negative number increases.)</i>	<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS	OWNERS' EQUITY																																																														
<p style="color: #0056b3; margin: 0;">Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p style="color: #0056b3; margin: 5px 0 0 0;">Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	<p style="color: #0056b3; margin: 0;">Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p style="color: #0056b3; margin: 5px 0 0 0;">Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50px;">CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGa</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGa	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E21 Replenished doubtful receivables allowance

At the end of each interim reporting period during 2013, BGS estimated the outstanding receivables that would probably not be collected in the future and adjusted the bad debts allowance by the amount necessary to ensure its balance equalled this bad-debts estimate. There were a total of \$6 million of these adjustments during 2013.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E21 Replenished bad debts allowance

Assets		=	Owners' Eq.			
-	Allbd	=	-	MSGA	Debit	Credit
-	+\$6	=	-	+\$6	Miscellaneous SG&A expense	\$6
					Allowance for bad debts	\$6

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E21 Replenished bad debts allowance

Assets		=	Owners' Eq.			
-	Allbd	=	-	MSGA	Debit	Credit
-	+\$6	=	-	+\$6	Miscellaneous SG&A expense	\$6
					Allowance for bad debts	\$6

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E21 Replenished bad debts allowance

Assets		=	Owners' Eq.		Debit		Credit
-	Allbd	=	-	MSGA		\$6	
-	+\$6	=	-	+\$6			\$6

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Other selling, general, and administrative	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u>\$31</u>	<u>\$13</u>	

E21 Replenished bad debts allowance

Assets	=	Owners' Eq.	Debit	Credit
- Allbd	=	- MSGA		
- + \$6	=	- + \$6	Miscellaneous SG&A expense \$6	
				Allowance for bad debts \$6

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
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- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Other selling, general, and administrative <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E21 Replenished doubtful receivables allowance
 At the end of each interim reporting period during 2013, BGS estimated the outstanding receivables that would probably not be collected in the future and adjusted the bad debts allowance by the amount necessary to ensure its balance equalled this bad-debts estimate. There were a total of \$6 million of these adjustments during 2013.
 Record the entry:

E21 Replenished bad debts allowance					
Assets		=	Owners' Eq.		
-	Allbd	=	-	MSGA	Miscellaneous SG&A expense \$6
-	+ \$6	=	-	+ \$6	Allowance for bad debts \$6

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Other selling, general, and administrative <i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net profit	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Accounts receivable <i>(Reported negative number increases.)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS	OWNERS' EQUITY																																																														
<p style="color: #0056b3; margin: 0;">Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 5%;">AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p style="color: #0056b3; margin: 5px 0 0 0;">Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 5%;">PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	<p style="color: #0056b3; margin: 0;">Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 5%;">RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p style="color: #0056b3; margin: 5px 0 0 0;">Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 5%;">CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E22 Wrote off doubtful receivables

During 2013, BGS wrote off \$5 million of accounts receivable. BGS's policy is to write off receivables when they are 180 days past due.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
<i>(In Millions)</i>			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E22 Wrote off bad debts

Assets				=		
					Debit	Credit
+	ARG	-	Allbd	=		
+	-\$5	-	-\$5	=	Allowance for bad debts	\$5
					Accounts receivable, gross	\$5

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E22 Wrote off bad debts						
Assets				=		
+	ARG	-	Allbd	=	Debit	Credit
					\$5	
	-\$5		-\$5			\$5

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
<small>(Net zero effect. NONE is also acceptable.)</small>					
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E22 Wrote off bad debts

Assets				=		
					Debit	Credit
+	ARG	-	Allbd	=		
					Allowance for bad debts	\$5
+	-\$5	-	-\$5	=	Accounts receivable, gross	\$5

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net <small>(Net zero effect. NONE is also acceptable.)</small>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
_____	<input type="checkbox"/>	<input type="checkbox"/>			
_____	<input type="checkbox"/>	<input type="checkbox"/>			
_____	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E22 Wrote off bad debts					
Assets				=	
+	ARG	-	Allbd	=	
					Debit Credit
					Allowance for bad debts \$5
+	-\$5	-	-\$5	=	Accounts receivable, gross \$5

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net <small>(Net zero effect. NONE is also acceptable.)</small>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
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_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E22 Wrote off doubtful receivables
 During 2013, BGS wrote off \$5 million of accounts receivable. BGS’s policy is to write off receivables when they are 180 days past due.

Record the entry:

Assets					=		
	+	-		-	=	Debit	Credit
	ARG		Allbd		=	Allowance for bad debts	\$5
	- \$5		- \$5		=	Accounts receivable, gross	\$5

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net <small>(Net zero effect. NONE is also acceptable.)</small>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Accounts receivable <small>(Net zero effect. NONE is also acceptable.)</small>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS	OWNERS' EQUITY
Current	Permanent
AR Accounts receivable	RE Retained earnings
ARG Accounts receivable, gross	SCap Share capital
Allbd Allowance for bad debts	OPOE Other permanent owners' equity
Allpr Allowance for product returns: revenue component	
C Cash and cash equivalents	Net income
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OCA Other current assets	IncS Income summary
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Non-current	Rev Revenues, net
PPE Property, plant, and equipment, net	Grev Gross revenue
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ONCA Other non-current assets	OOI Other operating income net of expenses
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LIABILITIES	
Current	
AP Accounts payable	
AcrL Accrued liabilities	
DivP Dividend payable	
Drev Deferred revenue	
OCL Other current liabilities	
Non-current	
LTD Long-term debt	
ONCL Other non-current liabilities	

E23 Replenished product returns provision

At the end of each interim period during 2013, BGS estimated the products that would probably be returned in the future and adjusted the revenue and cost components of the allowance to ensure they would cover the expected returns' gross margins. The combined gross margin adjustments for the year were \$20 million of revenues less \$10 million of cost of sales.

Bischoff's accounting policy for product returns is to maintain separate accounts for two allowance components: the revenue component, which is a contra asset to accounts receivable and the cost of sales component, which is an adjunct to finished goods inventories. Neither sales commissions nor royalties are associated with Bischoff's product returns.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
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Other current assets	219	158	
Total current assets	502	366	
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Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E23 Replenished product returns provision

Assets			=	Owners' Equity			
-	Allpr	+	=	-	PRCnR	-	CGS
-	+ \$20	+	=	-	+ \$20	-	- \$10

	Debit	Credit
Segregated inventories: product returns allowance cost component	\$10	
Product returns contra revenue	\$20	
Allowance for product returns: revenue component		\$20
Cost of goods sold		\$10

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
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STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Net revenues	\$505	\$440
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Gross profit	252	220
Selling, general, and administrative expenses:		
Depreciation	(7)	(6)
Other selling, general, and administrative	(117)	(105)
Total	(124)	(111)
Other operating income and (expense):		
Gain (loss) on sale of building	3	3
Other	(3)	(3)
Total	0	0
Operating profit	128	109
Other income and (expenses)	1	1
Profit before taxes	129	110
Income tax expense	(40)	(34)
Net profit (loss)	89	76
Other comprehensive income	24	24
Comprehensive income (loss)	\$113	\$100

E23 Replenished product returns provision								
Assets			=	Owners' Equity				
-	Allpr	+	Slprc	=	-	PRCnR	-	CGS
-	+\$20	+	+\$10	=	-	+\$20	-	-\$10

	Debit	Credit
Segregated inventories: product returns allowance cost component	\$10	
Product returns contra revenue		\$20
Allowance for product returns: revenue component		\$20
Cost of goods sold		\$10

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E23 Replenished product returns provision

Assets			=	Owners' Equity		
-	Allpr	+ Slprc	=	-	PRCnR	- CGS
-	+\$20	+ \$10	=	-	+\$20	- \$10

	Debit	Credit
Segregated inventories: product returns allowance cost component	\$10	
Product returns contra revenue	\$20	
Allowance for product returns: revenue component		\$20
Cost of goods sold		\$10

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net revenues	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cost of goods sold <small>(Reported negative number increases.)</small>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Cash flows from operating activities		
Net profit	\$89	\$76
Adjustments		
(Gain) loss on sale of PP&E	(3)	(3)
Depreciation	32	28
Accounts receivable	0	(38)
Inventories	(32)	(36)
Prepaid expenses	15	13
Accounts payable	(22)	(21)
Accrued liabilities	(12)	(10)
Other	29	16
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>
Cash flows from investing activities		
Payments for property, plant, and equipment	(20)	(17)
Proceeds from disposal of property, plant, and equipment	15	14
Other investing cash flows	<u>(80)</u>	<u>(37)</u>
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>
Cash flows from financing activities		
Proceeds from issue of share capital	10	7
Proceeds from borrowings	10	9
Payment of dividends	(20)	(18)
Other financing cash flows	<u>5</u>	<u>4</u>
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>
Other	2	2
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>

E23 Replenished product returns provision

Assets			=	Owners' Equity				
-	Allpr	+	Slprc	=	-	PRCnR	-	CGS
-	+\$20	+	+\$10	=	-	+\$20	-	-\$10

	Debit	Credit
Segregated inventories: product returns allowance cost component	\$10	
Product returns contra revenue	\$20	
Allowance for product returns: revenue component		\$20
Cost of goods sold		\$10

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net revenues	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cost of goods sold	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<small>(Reported negative number increases.)</small>	<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution:

E23 Replenished product returns provision

At the end of each interim period during 2013, BGS estimated the products that would probably be returned in the future and adjusted the revenue and cost components of the allowance to ensure they would cover the expected returns' gross margins. The combined gross margin adjustments for the year were \$20 million of revenues less \$10 million of cost of sales.

Record the entry:

E23 Replenished product returns provision								
Assets			=	Owners' Equity				
-	Allpr	+	Slprc	=	-	PRCnR	-	CGS
-	+\$20	+	+\$10	=	-	+\$20	-	-\$10

	Debit	Credit
Segregated inventories: product returns allowance cost component	\$10	
Product returns contra revenue	\$20	
Allowance for product returns: revenue component		\$20
Cost of goods sold		\$10

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net revenues	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cost of goods sold <i>(Reported negative number increases.)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net profit	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Accounts receivable	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Next step:

Extend this exercise using a real company's financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																													
<p>ASSETS</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table> <p>LIABILITIES</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AP</td><td>Accounts payable</td></tr> <tr><td>AcrL</td><td>Accrued liabilities</td></tr> <tr><td>DivP</td><td>Dividend payable</td></tr> <tr><td>Drev</td><td>Deferred revenue</td></tr> <tr><td>OCL</td><td>Other current liabilities</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>LTD</td><td>Long-term debt</td></tr> <tr><td>ONCL</td><td>Other non-current liabilities</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	AP	Accounts payable	AcrL	Accrued liabilities	DivP	Dividend payable	Drev	Deferred revenue	OCL	Other current liabilities	LTD	Long-term debt	ONCL	Other non-current liabilities	<p>OWNERS' EQUITY</p> <p>Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p>Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E24 Products were returned by customers

During 2013, BGS's customers returned products with \$18 million of previously recognized revenues and \$9 million of previously recognized cost of sales. Customers had not yet paid for the returned products. The cost to acquire or produce these products had not changed since they were sold. (See E23 for discussion of Bischoff's accounting policy for product returns.)

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E24 Products were returned by customers								
Assets							=	
+	ARG	-	Allpr	+	FGI	+	Slprc	=
+	-\$18	-	-\$18	+	+\$9	+	-\$9	=

	Debit	Credit
Allowance for product returns: revenue component	\$18	
Finished goods inventories	\$9	
Accounts receivable, gross		\$18
Segregated inventories: product returns allowance cost component		\$9

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Net revenues	\$505	\$440
Cost of goods sold	(253)	(220)
Gross profit	252	220
Selling, general, and administrative expenses:		
Depreciation	(7)	(6)
Other selling, general, and administrative	(117)	(105)
Total	(124)	(111)
Other operating income and (expense):		
Gain (loss) on sale of building	3	3
Other	(3)	(3)
Total	0	0
Operating profit	128	109
Other income and (expenses)	1	1
Profit before taxes	129	110
Income tax expense	(40)	(34)
Net profit (loss)	89	76
Other comprehensive income	24	24
Comprehensive income (loss)	\$113	\$100

E24 Products were returned by customers								
Assets						=		
+	ARG	-	Allpr	+	FGI	+	Slprc	=
+	-\$18	-	-\$18	+	+\$9	+	-\$9	=

	Debit	Credit
Allowance for product returns: revenue component	\$18	
Finished goods inventories	\$9	
Accounts receivable, gross		\$18
Segregated inventories: product returns allowance cost component		\$9

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net <small>(Net zero effect. NONE is also acceptable.)</small>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Inventories <small>(Net zero effect. NONE is also acceptable.)</small>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E24 Products were returned by customers

Assets							=	
+	ARG	-	Allpr	+	FGI	+	Slprc	=
+	-\$18	-	-\$18	+	+\$9	+	-\$9	=

	Debit	Credit
Allowance for product returns: revenue component	\$18	
Finished goods inventories	\$9	
Accounts receivable, gross		\$18
Segregated inventories: product returns allowance cost component		\$9

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net <small>(Net zero effect. NONE is also acceptable.)</small>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Inventories <small>(Net zero effect. NONE is also acceptable.)</small>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Cash flows from operating activities		
Net profit	\$89	\$76
Adjustments		
(Gain) loss on sale of PP&E	(3)	(3)
Depreciation	32	28
Accounts receivable	0	(38)
Inventories	(32)	(36)
Prepaid expenses	15	13
Accounts payable	(22)	(21)
Accrued liabilities	(12)	(10)
Other	29	16
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>
Cash flows from investing activities		
Payments for property, plant, and equipment	(20)	(17)
Proceeds from disposal of property, plant, and equipment	15	14
Other investing cash flows	<u>(80)</u>	<u>(37)</u>
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>
Cash flows from financing activities		
Proceeds from issue of share capital	10	7
Proceeds from borrowings	10	9
Payment of dividends	(20)	(18)
Other financing cash flows	<u>5</u>	<u>4</u>
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>
Other	2	2
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>

E24 Products were returned by customers

Assets							=	
+	ARG	-	Allpr	+	FGI	+	Slprc	=
+	-\$18	-	-\$18	+	+\$9	+	-\$9	=

	Debit	Credit
Allowance for product returns: revenue component	\$18	
Finished goods inventories	\$9	
Accounts receivable, gross		\$18
Segregated inventories: product returns allowance cost component		\$9

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net <small>(Net zero effect. NONE is also acceptable.)</small>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Inventories <small>(Net zero effect. NONE is also acceptable.)</small>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E24 Products were returned by customers
 During 2013, BGS's customers returned products with \$18 million of previously recognized revenues and \$9 million of previously recognized cost of sales. Customers had not yet paid for the returned products. The cost to acquire or produce these products had not changed since they were sold. (See E23 for discussion of Bischoff's accounting policy for product returns.)
 Record the entry:

E24 Products were returned by customers								
Assets						=		
+	ARG	-	Allpr	+	FGI	+	Slprc	=
+	-\$18	-	-\$18	+	+\$9	+	-\$9	=

	Debit	Credit
Allowance for product returns: revenue component	\$18	
Finished goods inventories	\$9	
Accounts receivable, gross		\$18
Segregated inventories: product returns allowance cost component		\$9

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accounts receivable, net <i>(Net zero effect. NONE is also acceptable.)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Inventories <i>(Net zero effect. NONE is also acceptable.)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Accounts receivable <i>(Net zero effect. NONE is also acceptable.)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Inventories <i>(Net zero effect. NONE is also acceptable.)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company's financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

COST OF SALES AND INVENTORY ENTRIES AND FINANCIAL-STATEMENT EFFECTS

Related entries:

In addition to the entries in this section, you may want to review the following entries related to this chapter that were covered earlier in this workbook:

- | | | |
|------|---|--------------------------|
| E4 | Purchased merchandise on account for resale | page 23 |
| E6b | Recognize product cost when goods were delivered | page 41 |
| E19b | Deferred cost of goods sold when goods were delivered | page 126 |
| E20b | Recognized previously deferred cost of goods sold | page 138 |
| E23 | Replenish product returns provision | page 156 |
| E24 | Products were returned by customers | page 162 |

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																																	
<p>ASSETS</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td> Minv</td><td>Materials inventories</td></tr> <tr><td> WIP</td><td>Work in process</td></tr> <tr><td> FGI</td><td>Finished goods inventories</td></tr> <tr><td> Sldr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td> Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td> PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td> AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table> <p>LIABILITIES</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AP</td><td>Accounts payable</td></tr> <tr><td>AcrL</td><td>Accrued liabilities</td></tr> <tr><td>DivP</td><td>Dividend payable</td></tr> <tr><td>Drev</td><td>Deferred revenue</td></tr> <tr><td>OCL</td><td>Other current liabilities</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>LTD</td><td>Long-term debt</td></tr> <tr><td>ONCL</td><td>Other non-current liabilities</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	Minv	Materials inventories	WIP	Work in process	FGI	Finished goods inventories	Sldr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	AP	Accounts payable	AcrL	Accrued liabilities	DivP	Dividend payable	Drev	Deferred revenue	OCL	Other current liabilities	LTD	Long-term debt	ONCL	Other non-current liabilities	<p>OWNERS' EQUITY</p> <p>Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p>Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td> PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td> ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td> Grev</td><td>Gross revenue</td></tr> <tr><td> PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E25 Purchased materials on account

During 2013, BGS purchased \$83 million of materials and parts on account from suppliers and was invoiced upon delivery. It planned to use these items to produce products to sell to customers.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	<u>502</u>	<u>366</u>	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	<u>427</u>	<u>374</u>	
Total assets	<u>\$929</u>	<u>\$740</u>	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	<u>109</u>	<u>123</u>	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	<u>207</u>	<u>131</u>	
Total liabilities	<u>316</u>	<u>254</u>	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	<u>613</u>	<u>486</u>	
Total liabilities and stockholders' equity	<u>\$929</u>	<u>\$740</u>	

E25 Purchased materials on account

Assets		=	Liabilities			
+	Minv	=	+	AP	Debit	Credit
+	+\$83	=	+	+\$83	Materials inventories	\$83
					Accounts payable	\$83

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E25 Purchased materials on account

Assets		=	Liabilities			
+	Minv	=	+	AP	Debit	Credit
+	+ \$83	=	+	+ \$83	\$83	\$83

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E25 Purchased materials on account

Assets		=	Liabilities	
+	Minv	=	+	AP
+	+ \$83	=	+	+ \$83

	Debit	Credit
Materials inventories	\$83	
Accounts payable		\$83

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E25 Purchased materials on account

Assets		=	Liabilities	
+	Minv	=	+	AP
+	+ \$83	=	+	+ \$83

	Debit	Credit
Materials inventories	\$83	
Accounts payable		\$83

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E25 Purchased materials on account
 During 2013, BGS purchased \$83 million of materials and parts on account from suppliers and was invoiced upon delivery. It planned to use these items to produce products to sell to customers.

E25 Purchased materials on account					
Assets			=	Liabilities	
+	Minv	=	+	AP	
+	+ \$83	=	+	+ \$83	

	Debit	Credit
Materials inventories	\$83	
Accounts payable		\$83

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number decreases.)		
	<input type="checkbox"/>	<input type="checkbox"/>	Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number increases.)		
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																																	
<p>ASSETS</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Alibd</td><td>Allowance for bad debts</td></tr> <tr><td>Alpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td> Minv</td><td>Materials inventories</td></tr> <tr><td> WIP</td><td>Work in process</td></tr> <tr><td> FGI</td><td>Finished goods inventories</td></tr> <tr><td> Sldr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td> Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td> PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td> AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table> <p>LIABILITIES</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AP</td><td>Accounts payable</td></tr> <tr><td>AcrL</td><td>Accrued liabilities</td></tr> <tr><td>DivP</td><td>Dividend payable</td></tr> <tr><td>Drev</td><td>Deferred revenue</td></tr> <tr><td>OCL</td><td>Other current liabilities</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>LTD</td><td>Long-term debt</td></tr> <tr><td>ONCL</td><td>Other non-current liabilities</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Alibd	Allowance for bad debts	Alpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	Minv	Materials inventories	WIP	Work in process	FGI	Finished goods inventories	Sldr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	AP	Accounts payable	AcrL	Accrued liabilities	DivP	Dividend payable	Drev	Deferred revenue	OCL	Other current liabilities	LTD	Long-term debt	ONCL	Other non-current liabilities	<p>OWNERS' EQUITY</p> <p>Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p>Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td> PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td> ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td> Grev</td><td>Gross revenue</td></tr> <tr><td> PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E26 Used materials previously purchased

During 2013, BGS used \$80 million of previously purchased materials and parts while producing products to sell to customers.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	<u>502</u>	<u>366</u>	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	<u>427</u>	<u>374</u>	
Total assets	<u>\$929</u>	<u>\$740</u>	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	<u>109</u>	<u>123</u>	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	<u>207</u>	<u>131</u>	
Total liabilities	<u>316</u>	<u>254</u>	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	<u>613</u>	<u>486</u>	
Total liabilities and stockholders' equity	<u>\$929</u>	<u>\$740</u>	

E26 Used materials previously purchased					
Assets			=		
+	Minv	+	WIP	=	Debit Credit
+	-\$80	+	+\$80	=	Work in process \$80
					Materials inventories \$80

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- (1) Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- (2) Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- (3) Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- (4) Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- (5) Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E26 Used materials previously purchased						
Assets				=		
+	Minv	+	WIP	=	Debit	Credit
+	-\$80	+	+\$80	=	Work in process	\$80
					Materials inventories	\$80

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- (1) Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- (2) Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- (3) Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- (4) Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from - 2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- (5) Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
<small>(Net zero effect. NONE is also acceptable.)</small>			_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E26 Used materials previously purchased							
Assets				=	Debit		Credit
+	Minv	+	WIP	=	Work in process	\$80	
+	- \$80	+	+ \$80	=	Materials inventories		\$80

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
(Net zero effect. NONE is also acceptable.)				<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E26 Used materials previously purchased						
Assets			=			
+	Minv	+	WIP	=	Debit	Credit
+	-\$80	+	+\$80	=	Work in process	\$80
					Materials inventories	\$80

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
<small>(Net zero effect. NONE is also acceptable.)</small>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E26 Used materials previously purchased
 During 2013, BGS used \$80 million of previously purchased materials and parts while producing products to sell to customers.

Assets					=		
	+	Minv	+	WIP	=	Debit	Credit
						Work in process	\$80
		- \$80		+ \$80		Materials inventories	\$80

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
<small>(Net zero effect. NONE is also acceptable.)</small>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<small>(Net zero effect. NONE is also acceptable.)</small>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

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E27 Used production inputs before invoiced

At the end of interim periods during 2013, BGS identified a total of \$2 million of costs for production-related services performed during the periods for which BGS had not yet received invoices by the end of the periods. For example, BGS recognized janitorial costs for services rendered but not yet invoiced by its janitorial service.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	<u>502</u>	<u>366</u>	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	<u>427</u>	<u>374</u>	
Total assets	<u>\$929</u>	<u>\$740</u>	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	<u>109</u>	<u>123</u>	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	<u>207</u>	<u>131</u>	
Total liabilities	<u>316</u>	<u>254</u>	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	<u>613</u>	<u>486</u>	
Total liabilities and stockholders' equity	<u>\$929</u>	<u>\$740</u>	

E27 Used production inputs before invoiced					
Assets		=	Liabilities		
+	WIP	=	+	AcrL	
+	+\$2	=	+	+\$2	
					Debit Credit
					Work in process \$2
					Accrued liabilities \$2

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- (1) Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- (2) Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- (3) Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- (4) Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- (5) Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E27 Used production inputs before invoiced					
Assets		=	Liabilities		
+	WIP	=	+	AcrL	
+	+ \$2	=	+	+ \$2	

	Debit	Credit
Work in process	\$2	
Accrued liabilities		\$2

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E27 Used production inputs before invoiced

Assets		=	Liabilities			
+	WIP	=	+	AcrL	Debit	Credit
					Work in process	\$2
	+ \$2			+ \$2	Accrued liabilities	\$2

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E27 Used production inputs before invoiced

Assets		=	Liabilities			
+	WIP	=	+	AcrL	Debit	Credit
+	+ \$2	=	+	+ \$2	Work in process	\$2
					Accrued liabilities	\$2

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E27 Used production inputs before invoiced
 At the end of interim periods during 2013, BGS identified a total of \$2 million of costs for production-related services performed during the periods for which BGS had not yet received invoices by the end of the periods. For example, BGS reconized production-related janitorial costs for services rendered but not yet invoiced by its janitorial service.

E27 Used production inputs before invoiced					
Assets		=	Liabilities		
+	WIP	=	+	AcrL	
+	+ \$2	=	+	+ \$2	

	Debit	Credit
Work in process	\$2	
Accrued liabilities		\$2

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number decreases.)		
	<input type="checkbox"/>	<input type="checkbox"/>	Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number increases.)		

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

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E28 Used production inputs when invoiced

During 2013, BGS received \$17 million of invoices for production-related goods it received and used during 2013 for production-related services rendered in 2013. BGS had not previously accrued for these services. For example, BGS received invoices in 2013 from utilities companies for servicing production facilities during 2013.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	<u>502</u>	<u>366</u>	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	<u>427</u>	<u>374</u>	
Total assets	<u>\$929</u>	<u>\$740</u>	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	<u>109</u>	<u>123</u>	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	<u>207</u>	<u>131</u>	
Total liabilities	<u>316</u>	<u>254</u>	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	<u>613</u>	<u>486</u>	
Total liabilities and stockholders' equity	<u>\$929</u>	<u>\$740</u>	

E28 Used production inputs when invoiced

Assets		=	Liabilities			
+	WIP	=	+	AP	Debit	Credit
+	+ \$17	=	+	+ \$17	Work in process	\$17
					Accounts payable	\$17

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Net revenues	\$505	\$440
Cost of goods sold	(253)	(220)
Gross profit	252	220
Selling, general, and administrative expenses:		
Depreciation	(7)	(6)
Other selling, general, and administrative	(117)	(105)
Total	(124)	(111)
Other operating income and (expense):		
Gain (loss) on sale of building	3	3
Other	(3)	(3)
Total	0	0
Operating profit	128	109
Other income and (expenses)	1	1
Profit before taxes	129	110
Income tax expense	(40)	(34)
Net profit (loss)	89	76
Other comprehensive income	24	24
Comprehensive income (loss)	\$113	\$100

E28 Used production inputs when invoiced

Assets		=	Liabilities			
+	WIP	=	+	AP	Debit	Credit
+	+ \$17	=	+	+ \$17	\$17	
					Work in process	\$17
					Accounts payable	\$17

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
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- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E28 Used production inputs when invoiced

Assets		=	Liabilities			
+	WIP	=	+	AP	Debit	Credit
					Work in process	\$17
+	+\$17	=	+	+\$17	Accounts payable	\$17

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	96	25	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	(80)	(37)	
Net cash provided by (used in) investing activities	(85)	(40)	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	5	4	
Net cash provided by (used in) financing activities	5	2	
Net increase (decrease) in cash during year	16	(13)	
Other	2	2	
Cash and Cash equivalents at start of year	13	24	
Cash and Cash equivalents at end of year	<u>\$31</u>	<u>\$13</u>	

E28 Used production inputs when invoiced

Assets		=	Liabilities			
+	WIP	=	+	AP	Debit	Credit
					Work in process	\$17
+	+\$17	=	+	+\$17	Accounts payable	\$17

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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Complete Solution: E28 Used production inputs when invoiced
 During 2013, BGS received \$17 million of invoices for production-related goods it received and used during 2013 for production-related services rendered in 2013. BGS had not previously accrued for these services. For example, BGS received invoices in 2013 from utilities companies for servicing production facilities during 2013.

E28 Used production inputs when invoiced

	Assets	=	Liabilities			
	+		+		Debit	Credit
	+		+		Work in process	\$17
	+		+		Accounts payable	\$17
	+		+			
	+ \$17		+ \$17			

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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NONE	<input type="checkbox"/>	<input type="checkbox"/>	Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number decreases.)		
	<input type="checkbox"/>	<input type="checkbox"/>	Accounts payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number increases.)		

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

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E29 Used production inputs previously prepaid

At the end of interim periods during 2013, BGS identified a total of \$10 million of costs for production-related services performed during the periods that were prepaid prior to receiving the services, but not yet charged to production. For example, at month end, BGS recognized the cost of using a production facility that had been prepaid in a prior month.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	<u>502</u>	<u>366</u>	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	<u>427</u>	<u>374</u>	
Total assets	<u>\$929</u>	<u>\$740</u>	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	<u>109</u>	<u>123</u>	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	<u>207</u>	<u>131</u>	
Total liabilities	<u>316</u>	<u>254</u>	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	<u>613</u>	<u>486</u>	
Total liabilities and stockholders' equity	<u>\$929</u>	<u>\$740</u>	

E29 Used production inputs previously prepaid					
Assets			=		
+	WIP	+	PrEx	=	
	+ \$10		- \$10	=	
					Debit Credit
					Work in process \$10
					Prepaid expenses \$10

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- (1) Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- (2) Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- (3) Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- (4) Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- (5) Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Net revenues	\$505	\$440
Cost of goods sold	(253)	(220)
Gross profit	252	220
Selling, general, and administrative expenses:		
Depreciation	(7)	(6)
Other selling, general, and administrative	(117)	(105)
Total	(124)	(111)
Other operating income and (expense):		
Gain (loss) on sale of building	3	3
Other	(3)	(3)
Total	0	0
Operating profit	128	109
Other income and (expenses)	1	1
Profit before taxes	129	110
Income tax expense	(40)	(34)
Net profit (loss)	89	76
Other comprehensive income	24	24
Comprehensive income (loss)	\$113	\$100

E29 Used production inputs previously prepaid						
Assets				=		
+	WIP	+	PrEx	=	Debit	Credit
					Work in process	\$10
+	+\$10	+	-\$10	=	Prepaid expenses	\$10

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Prepaid expenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E29 Used production inputs previously prepaid							
Assets				=	Debit		Credit
+	WIP	+	PrEx	=	Work in process	\$10	
+	+ \$10	+	- \$10	=	Prepaid expenses		\$10

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Prepaid expenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E29 Used production inputs previously prepaid						
Assets				=		
+	WIP	+	PrEx	=	Debit	Credit
					Work in process	\$10
+	+\$10	+	-\$10	=	Prepaid expenses	\$10

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Prepaid expenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E29 Used production inputs previously prepaid
 At the end of interim periods during 2013, BGS identified a total of \$10 million of costs for production-related services performed during the periods that were prepaid prior to receiving the services, but not yet charged to production. For example, at month end, BGS recognized the cost of using a production facility that had been prepaid in a prior month.

Assets					=		
						Debit	Credit
+	WIP	+	PrEx	=			
+	+\$10	+	-\$10	=		\$10	
							\$10

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Prepaid expenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number decreases.)		
	<input type="checkbox"/>	<input type="checkbox"/>	Prepaid expenses	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																																	
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E30 Used production inputs when paid

During 2013, BGS charged \$60 million of costs to production for non-invoiced goods and services received, used, and paid for during 2013. For example, this includes salaries paid to assembly-line employees in 2013 for services performed in 2013. It also includes supplies purchased with cash in 2013 and used in production during 2013.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
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Property, plant, and equipment:			
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Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E30 Used production inputs when paid					
Assets			=		
+	C	+	WIP	=	
+	-\$60	+	+\$60	=	
					Debit Credit
					Work in process \$60
					Cash and cash equivalents \$60

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
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- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E30 Used production inputs when paid						
Assets			=			
+	C	+	WIP	=	Debit	Credit
+	-\$60	+	+\$60	=	Work in process	\$60
					Cash and cash equivalents	\$60

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E30 Used production inputs when paid							
Assets				=	Debit		Credit
+	C	+	WIP	=			
					Work in process	\$60	
+	-\$60	+	+\$60	=	Cash and cash equivalents		\$60

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E30 Used production inputs when paid

Assets				=	Debit Credit	
+	C	+	WIP	=		
+	-\$60	+	+\$60	=	Work in process	\$60
					Cash and cash equivalents	\$60

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E30 Used production inputs when paid
 During 2013, BGS charged \$60 million of costs to production for non-invoiced goods and services received, used, and paid for during 2013. For example, this includes salaries paid to assembly-line employees in 2013 for services performed in 2013. It also includes supplies purchased with cash in 2013 and used in production during 2013.

E30 Used production inputs when paid

Assets				=		
+	C	+	WIP	=	Debit	Credit
+	- \$60	+	+ \$60	=	Work in process	\$60
					Cash and cash equivalents	\$60

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<i>(Reported negative number decreases.)</i>		
	<input type="checkbox"/>	<input type="checkbox"/>	Net cash provided by (used in) operations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																																	
<p>ASSETS</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Alibd</td><td>Allowance for bad debts</td></tr> <tr><td>Alpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td> Minv</td><td>Materials inventories</td></tr> <tr><td> WIP</td><td>Work in process</td></tr> <tr><td> FGI</td><td>Finished goods inventories</td></tr> <tr><td> Sldr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td> Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td> PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td> AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table> <p>LIABILITIES</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AP</td><td>Accounts payable</td></tr> <tr><td>AcrL</td><td>Accrued liabilities</td></tr> <tr><td>DivP</td><td>Dividend payable</td></tr> <tr><td>Drev</td><td>Deferred revenue</td></tr> <tr><td>OCL</td><td>Other current liabilities</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>LTD</td><td>Long-term debt</td></tr> <tr><td>ONCL</td><td>Other non-current liabilities</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Alibd	Allowance for bad debts	Alpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	Minv	Materials inventories	WIP	Work in process	FGI	Finished goods inventories	Sldr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	AP	Accounts payable	AcrL	Accrued liabilities	DivP	Dividend payable	Drev	Deferred revenue	OCL	Other current liabilities	LTD	Long-term debt	ONCL	Other non-current liabilities	<p>OWNERS' EQUITY</p> <p>Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p>Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td> PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td> ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td> Grev</td><td>Gross revenue</td></tr> <tr><td> PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E31 Recognized production-PP&E depreciation

At the end of interim periods during 2013, BGS capitalized a total of \$25 million of production-related depreciation into inventory, representing the portion of the historical cost of PP&E that had been used up during production.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E31 Recognized production-PP&E depreciation						
Assets				=		
+	WIP	-	AcDep	=	Debit	Credit
					Work in process	\$25
+	+\$25	-	+\$25	=	Accumulated depreciation	\$25

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E31 Recognized production-PP&E depreciation

Assets				=	Debit Credit	
+	WIP	-	AcDep	=	Work in process	\$25
+	+ \$25	-	+ \$25	=	Accumulated depreciation	\$25

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Less accumulated depreciation	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E31 Recognized production-PP&E depreciation							
Assets				=	Debit		Credit
+	WIP	-	AcDep	=	Work in process	\$25	
+	+ \$25	-	+ \$25	=	Accumulated depreciation		\$25

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Less accumulated depreciation	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E31 Recognized production-PP&E depreciation

Assets				=	Debit Credit	
+	WIP	-	AcDep	=	Work in process	\$25
+	+ \$25	-	+ \$25	=	Accumulated depreciation	\$25

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Less accumulated depreciation	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E31 Recognized production-PP&E depreciation
 At the end of interim periods during 2013, BGS capitalized a total of \$25 million of production-related depreciation into inventory, representing the portion of the historical cost of PP&E that had been used up during production.

E31 Recognized production-PP&E depreciation					
Assets				=	
+	WIP	-	AcDep	=	
+	+ \$25	-	+ \$25	=	

	Debit	Credit
Work in process	\$25	
Accumulated depreciation		\$25

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Less accumulated depreciation <i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Inventories <i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Depreciation	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																																	
<p>ASSETS</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Alibd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td> Minv</td><td>Materials inventories</td></tr> <tr><td> WIP</td><td>Work in process</td></tr> <tr><td> FGI</td><td>Finished goods inventories</td></tr> <tr><td> Sldr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td> Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td> PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td> AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table> <p>LIABILITIES</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AP</td><td>Accounts payable</td></tr> <tr><td>AcrL</td><td>Accrued liabilities</td></tr> <tr><td>DivP</td><td>Dividend payable</td></tr> <tr><td>Drev</td><td>Deferred revenue</td></tr> <tr><td>OCL</td><td>Other current liabilities</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>LTD</td><td>Long-term debt</td></tr> <tr><td>ONCL</td><td>Other non-current liabilities</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Alibd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	Minv	Materials inventories	WIP	Work in process	FGI	Finished goods inventories	Sldr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	ONCA	Other non-current assets	AP	Accounts payable	AcrL	Accrued liabilities	DivP	Dividend payable	Drev	Deferred revenue	OCL	Other current liabilities	LTD	Long-term debt	ONCL	Other non-current liabilities	<p>OWNERS' EQUITY</p> <p>Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p>Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td> PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td> ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td> Grev</td><td>Gross revenue</td></tr> <tr><td> PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E32 Transfer costs from WIP to FGI

During 2013, BGS transferred \$190 million of costs from work-in-process to finished goods. This occurred when production was completed and the finished goods had arrived at BGS's regional distribution centers around the world. Thus, related shipping and handling costs had already been charged to WIP.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	<u>502</u>	<u>366</u>	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	<u>427</u>	<u>374</u>	
Total assets	<u>\$929</u>	<u>\$740</u>	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	<u>109</u>	<u>123</u>	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	<u>207</u>	<u>131</u>	
Total liabilities	<u>316</u>	<u>254</u>	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	<u>613</u>	<u>486</u>	
Total liabilities and stockholders' equity	<u>\$929</u>	<u>\$740</u>	

E32 Transfer costs from WIP to FGI						
Assets			=			
+	WIP	+	FGINS	=	Debit	Credit
+	- \$190	+	+ \$190	=	Finished goods inventories (not segregated)	\$190
					Work in process	\$190

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E32 Transfer costs from WIP to FGI						
Assets			=			
+	WIP	+	FGINS	=	Debit	Credit
+	- \$190	+	+ \$190	=	Finished goods inventories (not segregated)	\$190
					Work in process	\$190

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from - 2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
<small>(Net zero effect. NONE is also acceptable.)</small>			_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E32 Transfer costs from WIP to FGI

Assets				=	Debit		Credit
+	WIP	+	FGINS	=	Finished goods inventories (not segregated)	\$190	
+	- \$190	+	+ \$190	=	Work in process		\$190

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
(Net zero effect. NONE is also acceptable.)				<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E32 Transfer costs from WIP to FGI					
Assets			=	Debit Credit	
+	WIP	+	FGINS	=	Finished goods inventories (not segregated) \$190
+	- \$190	+	+ \$190	=	Work in process \$190

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
<small>(Net zero effect. NONE is also acceptable.)</small>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution:

E32 Transfer costs from WIP to FGI

During 2013, BGS transferred \$190 million of costs from work-in-process to finished goods. This occurred when production was completed and the finished goods had arrived at BGS's regional distribution centers around the world. Thus, related shipping and handling costs had already been charged to WIP.

E32 Transfer costs from WIP to FGI						
Assets				=		
					Debit	Credit
+	WIP	+	FGINS	=	Finished goods inventories (not segregated)	\$190
+	- \$190	+	+ \$190	=	Work in process	\$190

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
<i>(Net zero effect. NONE is also acceptable.)</i>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Inventories	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<i>(Net zero effect. NONE is also acceptable.)</i>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step:

Extend this exercise using a real company's financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

LONG-LIVED ASSETS ENTRIES AND FINANCIAL-STATEMENT EFFECTS

Related entries:

In addition to the entries in this section, you may want to review the following entries related to this chapter that were covered earlier in this workbook:

- | | | |
|-----|---|--------------------------|
| E3 | Purchased PP&E with cash | page 17 |
| E15 | Recognized depreciation expense | page 95 |
| E16 | Sold PP&E for cash | page 101 |
| E31 | Recognized production-PP&E depreciation | page 205 |

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																																							
<p>ASSETS</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>AlIbd</td><td>Allowance for bad debts</td></tr> <tr><td>AlIpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>Minv</td><td>Materials inventories</td></tr> <tr><td>WIP</td><td>Work in process</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sldr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Slprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>Intan</td><td>Acquired intangibles</td></tr> <tr><td>Inthc</td><td>Intangibles (historical cost)</td></tr> <tr><td>AcAmt</td><td>Accumulated amortization</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table> <p>LIABILITIES</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AcrL</td><td>Accrued liabilities</td></tr> <tr><td>DivP</td><td>Dividend payable</td></tr> <tr><td>Drev</td><td>Deferred revenue</td></tr> <tr><td>OCL</td><td>Other current liabilities</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>LTD</td><td>Long-term debt</td></tr> <tr><td>ONCL</td><td>Other non-current liabilities</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	AlIbd	Allowance for bad debts	AlIpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	Minv	Materials inventories	WIP	Work in process	FGI	Finished goods inventories	Sldr	Segregated inventories: deferred revenue	Slprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	Intan	Acquired intangibles	Inthc	Intangibles (historical cost)	AcAmt	Accumulated amortization	ONCA	Other non-current assets	AcrL	Accrued liabilities	DivP	Dividend payable	Drev	Deferred revenue	OCL	Other current liabilities	LTD	Long-term debt	ONCL	Other non-current liabilities	<p>OWNERS' EQUITY</p> <p>Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p>Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AmtEx</td><td>Amortization expense</td></tr> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	AmtEx	Amortization expense	CGS	Cost of goods sold	DepEx	Depreciation expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E33 Recognized amortization expense

At the end of interim periods during 2013, BGS recognized a total of \$12 million of amortization expense that represented the portion of the historical cost of acquired intangible assets used up during the periods. All of BGS's intangibles were acquired when BGS purchased businesses and none are related to production.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	<u>502</u>	<u>366</u>	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	<u>427</u>	<u>374</u>	
Total assets	<u>\$929</u>	<u>\$740</u>	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	<u>109</u>	<u>123</u>	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	<u>207</u>	<u>131</u>	
Total liabilities	<u>316</u>	<u>254</u>	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	<u>613</u>	<u>486</u>	
Total liabilities and stockholders' equity	<u>\$929</u>	<u>\$740</u>	

E33 Recognized amortization expense

Assets		=	Owners' Eq.			Debit	Credit
-	AcAmt	=	-	AmtEx			
-	+ \$12	=	-	+ \$12		Amortization expense	\$12
						Accumulated amortization	\$12

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Net revenues	\$505	\$440
Cost of goods sold	(253)	(220)
Gross profit	252	220
Selling, general, and administrative expenses:		
Depreciation	(7)	(6)
Other selling, general, and administrative	(117)	(105)
Total	(124)	(111)
Other operating income and (expense):		
Gain (loss) on sale of building	3	3
Other	(3)	(3)
Total	0	0
Operating profit	128	109
Other income and (expenses)	1	1
Profit before taxes	129	110
Income tax expense	(40)	(34)
Net profit (loss)	89	76
Other comprehensive income	24	24
Comprehensive income (loss)	\$113	\$100

E33 Recognized amortization expense

Assets		=	Owners' Eq.			
-	AcAmt	=	-	AmtEx	Debit	Credit
-	+ \$12	=	-	+ \$12	Amortization expense	\$12
					Accumulated amortization	\$12

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "net revenues" rather than "revenue" or "sales" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Other non-current assets <small>(Intangible assets less accumulated amortization)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E33 Recognized amortization expense

Assets		=	Owners' Eq.			
-	AcAmt	=	-	AmtEx	Debit	Credit
-	+\$12	=	-	+\$12	Amortization expense	\$12
					Accumulated amortization	\$12

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Other non-current assets <small>(Intangible assets less accumulated amortization)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Other selling, general, and administrative <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	<u>2013</u>	<u>2012</u>	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u>\$31</u>	<u>\$13</u>	

E33 Recognized amortization expense

Assets		=	Owners' Eq.			Debit	Credit
-	AcAmt	=	-	AmtEx			
-	+ \$12	=	-	+ \$12	Amortization expense	\$12	
					Accumulated amortization		\$12

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Other non-current assets <small>(Intangible assets less accumulated amortization)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Other selling, general, and administrative <small>(Reported negative number decreases.)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E33 Recognized amortization expense
 At the end of interim periods during 2013, BGS recognized a total of \$12 million of amortization expense that represented the portion of the historical cost of acquired intangible assets used up during the periods. All of BGS’s intangible assets were acquired when BGS purchased businesses and none are related to production.

E33 Recognized amortization expense

Assets	=	Owners' Eq.		
- AcAmt	=	- AmtEx	Amortization expense	\$12
- + \$12	=	- + \$12	Accumulated amortization	\$12

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Other non-current assets <i>(Intangible assets less accumulated amortization)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Other selling, general, and administrative <i>(Reported negative number decreases.)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net profit	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Other	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

DEBT ENTRIES AND FINANCIAL-STATEMENT EFFECTS

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS		OWNERS' EQUITY	
Current		Permanent	
AR	Accounts receivable	RE	Retained earnings
ARG	Accounts receivable, gross	SCap	Share capital
Allbd	Allowance for bad debts	OPOE	Other permanent owners' equity
Allpr	Allowance for product returns: revenue component	Net income	
C	Cash and cash equivalents	AmtEx	Amortization expense
Inven	Inventories	CGS	Cost of goods sold
Minv	Materials inventories	DepEx	Depreciation expense
WIP	Work in process	FinEx	Finance expense
FGI	Finished goods inventories	G/L	Gain/loss
Sidr	Segregated inventories: deferred revenue	PPEGL	Gain/Loss on PP&E disposals
Slprc	Segregated inventories: product returns allowance cost component	ONOGL	Other non-operating gains/losses
PrEx	Prepaid expenses	IncS	Income summary
OCA	Other current assets	MSGA	Miscellaneous SG&A expense
Non-current		Rev	Revenues, net
PPE	Property, plant, and equipment, net	Grev	Gross revenue
PPEhc	PP&E (historical cost)	PRCnR	Product returns contra revenue
AcDep	Accumulated depreciation	OSGA	Other SG&A expense
Intan	Acquired intangibles	OOI	Other operating income net of expenses
Inthc	Intangibles (historical cost)	ONOI	Other non-operating income net of expenses
AcAmt	Accumulated amortization		
ONCA	Other non-current assets		
LIABILITIES			
Current			
AP	Accounts payable		
AcrL	Accrued liabilities		
CPLTD	Current portion of long-term debt		
DivP	Dividend payable		
Drev	Deferred revenue		
OCL	Other current liabilities		
Non-current			
LTD	Long-term debt		
ONCL	Other non-current liabilities		

E34a Paid finance costs previously expensed

During 2013, BGS paid a total of \$7 million of interest previously recognized as finance expense. These interest payments could have been combined with the principal payments in E34b. BGS's policy is to classify interest payments as operating activities. Under IFRS, they could have been classified as financing activities. ["Finance expense" is also call "interest expense" in this context.]

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E34a Paid finance costs previously expensed

Assets		=	Liabilities			
+	C	=	+	AcrL	Debit	Credit
+	-\$7	=	+	-\$7	Accrued liabilities	\$7
					Cash and cash equivalents	\$7

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Net revenues	\$505	\$440
Cost of goods sold	(253)	(220)
Gross profit	252	220
Selling, general, and administrative expenses:		
Depreciation	(7)	(6)
Other selling, general, and administrative	(117)	(105)
Total	(124)	(111)
Other operating income and (expense):		
Gain (loss) on sale of building	3	3
Other	(3)	(3)
Total	0	0
Operating profit	128	109
Other income and (expenses)	1	1
Profit before taxes	129	110
Income tax expense	(40)	(34)
Net profit (loss)	89	76
Other comprehensive income	24	24
Comprehensive income (loss)	\$113	\$100

E34a Paid finance costs previously expensed

Assets		=	Liabilities			
+	C	=	+	AcrL	Debit	Credit
+	-\$7	=	+	-\$7	Accrued liabilities	\$7
					Cash and cash equivalents	\$7

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from - 2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E34a Paid finance costs previously expensed

Assets		=	Liabilities			
+	C	=	+	AcrL	Debit	Credit
					Accrued liabilities	\$7
	- \$7			- \$7	Cash and cash equivalents	\$7

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E34a Paid finance costs previously expensed

Assets		=	Liabilities			
+	C	=	+	AcrL	Debit	Credit
+	-\$7	=	+	-\$7	Accrued liabilities	\$7
					Cash and cash equivalents	\$7

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E34a Paid finance costs previously expensed
 “During 2013, BGS paid a total of \$7 million of interest previously recognized as finance expense. These interest payments could have been combined with the principal payments in E34b. BGS’s policy is to classify interest payments as operating activities. Under IFRS, they could have been classified as financing activities. [“Finance expense” is also call “interest expense” in this context.]

E34a Paid finance costs previously expensed					
Assets		=	Liabilities		
+	C	=	+	AcrL	Debit Credit
+	- \$7	=	+	- \$7	Accrued liabilities \$7
					Cash and cash equivalents \$7

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Accrued liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	(Reported negative number decreases.)		
	<input type="checkbox"/>	<input type="checkbox"/>	Net cash provided by (used in) operations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS	
ASSETS	OWNERS' EQUITY
Current	Permanent
AR Accounts receivable	RE Retained earnings
ARG Accounts receivable, gross	SCap Share capital
Allbd Allowance for bad debts	OPOE Other permanent owners' equity
Allpr Allowance for product returns: revenue component	
C Cash and cash equivalents	Net income
Inven Inventories	AmtEx Amortization expense
Minv Materials inventories	CGS Cost of goods sold
WIP Work in process	DepEx Depreciation expense
FGI Finished goods inventories	FinEx Finance expense
Sidr Segregated inventories: deferred revenue	G/L Gain/loss
Siprc Segregated inventories: product returns allowance cost component	PPEGL Gain/Loss on PP&E disposals
PrEx Prepaid expenses	ONOGL Other non-operating gains/losses
OCA Other current assets	IncS Income summary
	MSGA Miscellaneous SG&A expense
Non-current	Rev Revenues, net
PPE Property, plant, and equipment, net	Grev Gross revenue
PPEhc PP&E (historical cost)	PRCnR Product returns contra revenue
AcDep Accumulated depreciation	OSGA Other SG&A expense
Intan Acquired intangibles	OOI Other operating income net of expenses
Inthc Intangibles (historical cost)	ONOI Other non-operating income net of expenses
AcAmt Accumulated amortization	
ONCA Other non-current assets	
LIABILITIES	
Current	
AP Accounts payable	
AcrL Accrued liabilities	
CPLTD Current portion of long-term debt	
DivP Dividend payable	
Drev Deferred revenue	
OCL Other current liabilities	
Non-current	
LTD Long-term debt	
ONCL Other non-current liabilities	

E34b Paid debt principal classified as current portion

During 2013, BGS repaid a total of \$5 million of long-term debt principal. In anticipation of these payments, BGS had reclassified the principal from non-current to current liabilities on December 31, 2012: the end of the prior year. This entry could have been combined with the interest payments in entry E34a.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	502	366	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	427	374	
Total assets	\$929	\$740	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	109	123	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	207	131	
Total liabilities	316	254	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	613	486	
Total liabilities and stockholders' equity	\$929	\$740	

E34b Paid debt principal classified as CPLTD

Assets		=	Liabilities			
+	C	=	+	CPLTD	Debit	Credit
+	-\$5	=	+	-\$5	Current portion of long-term	\$5
					Cash and cash equivalents	\$5

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E34b Paid debt principal classified as CPLTD

Assets		=	Liabilities			
+	C	=	+	CPLTD	Debit	Credit
+	-\$5	=	+	-\$5	Current portion of long-term	\$5
					Cash and cash equivalents	\$5

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from - 2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Other current liabilities <small>(Current portion of long-term debt)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E34b Paid debt principal classified as CPLTD

Assets		=	Liabilities	
+	C	=	+	CPLTD
+	- \$5	=	+	- \$5

	Debit	Credit
Current portion of long-term	\$5	
Cash and cash equivalents		\$5

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Other current liabilities <small>(Current portion of long-term debt)</small>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E34b Paid debt principal classified as CPLTD

Assets		=	Liabilities			
+	C	=	+	CPLTD	Debit	Credit
+	-\$5	=	+	-\$5	Current portion of long-term	\$5
					Cash and cash equivalents	\$5

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from - 2 to - 1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Other current liabilities <i>(Current portion of long-term debt)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E34b Paid debt principal classified as current-portion of long-term debt
 During 2013, BGS repaid a total of \$5 million of long-term debt principal. In anticipation of these payments, BGS had reclassified the principal from non-current to current liabilities on December 31, 2012: the end of the prior year. This entry could have been combined with the interest payments in entry E34a.

E34b Paid debt principal classified as CPLTD

Assets		=	Liabilities			
+	C	=	+	CPLTD	Debit	Credit
+	- \$5	=	+	- \$5	Current portion of long-term	\$5
					Cash and cash equivalents	\$5

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Cash and cash equivalents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Other current liabilities <i>(Current portion of long-term debt)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	Other financing cash flows <i>(Repayment of borrowings)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS																																																																																													
<p>ASSETS</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AR</td><td>Accounts receivable</td></tr> <tr><td>ARG</td><td>Accounts receivable, gross</td></tr> <tr><td>Allbd</td><td>Allowance for bad debts</td></tr> <tr><td>Allpr</td><td>Allowance for product returns: revenue component</td></tr> <tr><td>C</td><td>Cash and cash equivalents</td></tr> <tr><td>Inven</td><td>Inventories</td></tr> <tr><td>Minv</td><td>Materials inventories</td></tr> <tr><td>WIP</td><td>Work in process</td></tr> <tr><td>FGI</td><td>Finished goods inventories</td></tr> <tr><td>Sidr</td><td>Segregated inventories: deferred revenue</td></tr> <tr><td>Siprc</td><td>Segregated inventories: product returns allowance cost component</td></tr> <tr><td>PrEx</td><td>Prepaid expenses</td></tr> <tr><td>OCA</td><td>Other current assets</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>PPE</td><td>Property, plant, and equipment, net</td></tr> <tr><td>PPEhc</td><td>PP&E (historical cost)</td></tr> <tr><td>AcDep</td><td>Accumulated depreciation</td></tr> <tr><td>Intan</td><td>Acquired intangibles</td></tr> <tr><td>Inthc</td><td>Intangibles (historical cost)</td></tr> <tr><td>AcAmt</td><td>Accumulated amortization</td></tr> <tr><td>ONCA</td><td>Other non-current assets</td></tr> </table> <p>LIABILITIES</p> <p>Current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AP</td><td>Accounts payable</td></tr> <tr><td>AcrL</td><td>Accrued liabilities</td></tr> <tr><td>CPLTD</td><td>Current portion of long-term debt</td></tr> <tr><td>DivP</td><td>Dividend payable</td></tr> <tr><td>Drev</td><td>Deferred revenue</td></tr> <tr><td>OCL</td><td>Other current liabilities</td></tr> </table> <p>Non-current</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>LTD</td><td>Long-term debt</td></tr> <tr><td>ONCL</td><td>Other non-current liabilities</td></tr> </table>	AR	Accounts receivable	ARG	Accounts receivable, gross	Allbd	Allowance for bad debts	Allpr	Allowance for product returns: revenue component	C	Cash and cash equivalents	Inven	Inventories	Minv	Materials inventories	WIP	Work in process	FGI	Finished goods inventories	Sidr	Segregated inventories: deferred revenue	Siprc	Segregated inventories: product returns allowance cost component	PrEx	Prepaid expenses	OCA	Other current assets	PPE	Property, plant, and equipment, net	PPEhc	PP&E (historical cost)	AcDep	Accumulated depreciation	Intan	Acquired intangibles	Inthc	Intangibles (historical cost)	AcAmt	Accumulated amortization	ONCA	Other non-current assets	AP	Accounts payable	AcrL	Accrued liabilities	CPLTD	Current portion of long-term debt	DivP	Dividend payable	Drev	Deferred revenue	OCL	Other current liabilities	LTD	Long-term debt	ONCL	Other non-current liabilities	<p>OWNERS' EQUITY</p> <p>Permanent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>RE</td><td>Retained earnings</td></tr> <tr><td>SCap</td><td>Share capital</td></tr> <tr><td>OPOE</td><td>Other permanent owners' equity</td></tr> </table> <p>Net income</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>AmtEx</td><td>Amortization expense</td></tr> <tr><td>CGS</td><td>Cost of goods sold</td></tr> <tr><td>DepEx</td><td>Depreciation expense</td></tr> <tr><td>FinEx</td><td>Finance expense</td></tr> <tr><td>G/L</td><td>Gain/loss</td></tr> <tr><td>PPEGL</td><td>Gain/Loss on PP&E disposals</td></tr> <tr><td>ONOGL</td><td>Other non-operating gains/losses</td></tr> <tr><td>IncS</td><td>Income summary</td></tr> <tr><td>MSGA</td><td>Miscellaneous SG&A expense</td></tr> <tr><td>Rev</td><td>Revenues, net</td></tr> <tr><td>Grev</td><td>Gross revenue</td></tr> <tr><td>PRCnR</td><td>Product returns contra revenue</td></tr> <tr><td>OSGA</td><td>Other SG&A expense</td></tr> <tr><td>OOI</td><td>Other operating income net of expenses</td></tr> <tr><td>ONOI</td><td>Other non-operating income net of expenses</td></tr> </table>	RE	Retained earnings	SCap	Share capital	OPOE	Other permanent owners' equity	AmtEx	Amortization expense	CGS	Cost of goods sold	DepEx	Depreciation expense	FinEx	Finance expense	G/L	Gain/loss	PPEGL	Gain/Loss on PP&E disposals	ONOGL	Other non-operating gains/losses	IncS	Income summary	MSGA	Miscellaneous SG&A expense	Rev	Revenues, net	Grev	Gross revenue	PRCnR	Product returns contra revenue	OSGA	Other SG&A expense	OOI	Other operating income net of expenses	ONOI	Other non-operating income net of expenses
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E35 Recognized finance expense

At the end of interim periods during 2013, BGS recognized a total of \$7 million of finance expense that represented the interest costs associated with long-term debt for the periods. BGS's policy is to classify interest as operating activities. Under IFRS, they could have been classified as financing activities. ["Finance expense" is also call "interest expense" in this context.]

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	<u>502</u>	<u>366</u>	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	<u>427</u>	<u>374</u>	
Total assets	<u>\$929</u>	<u>\$740</u>	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	<u>109</u>	<u>123</u>	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	<u>207</u>	<u>131</u>	
Total liabilities	<u>316</u>	<u>254</u>	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	<u>613</u>	<u>486</u>	
Total liabilities and stockholders' equity	<u>\$929</u>	<u>\$740</u>	

E35 Recognized finance expense				
=	Liabilities	Owners' Eq	Debit	Credit
=	+	Acrl	-	FinEx
=	+	+ \$7	-	+ \$7
			Finance expense	\$7
			Accrued liabilities	\$7

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION		
Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Net revenues	\$505	\$440	
Cost of goods sold	(253)	(220)	
Gross profit	252	220	
Selling, general, and administrative expenses:			
Depreciation	(7)	(6)	
Other selling, general, and administrative	(117)	(105)	
Total	(124)	(111)	
Other operating income and (expense):			
Gain (loss) on sale of building	3	3	
Other	(3)	(3)	
Total	0	0	
Operating profit	128	109	
Other income and (expenses)	1	1	
Profit before taxes	129	110	
Income tax expense	(40)	(34)	
Net profit (loss)	89	76	
Other comprehensive income	24	24	
Comprehensive income (loss)	\$113	\$100	

E35 Recognized finance expense				
=	Liabilities	Owners' Eq	Debit	Credit
= +	AcrL	- FinEx		
= +	+ \$7	- + \$7	Finance expense \$7	
			Accrued liabilities	\$7

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E35 Recognized finance expense

=	Liabilities	Owners' Eq	Debit	Credit
= +	AcrL	- FinEx	Finance expense \$7	
= +	+ \$7	- + \$7	Accrued liabilities	\$7

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other income and (expenses)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E35 Recognized finance expense					
=	Liabilities		Owners' Eq		
=	+	AcrL	-	FinEx	
=	+	+ \$7	-	+ \$7	
					Debit Credit
					Finance expense \$7
					Accrued liabilities \$7

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal "net cash provided by (used in) operations" if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other income and (expenses)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E35 Recognized finance expense
 “At the end of interim periods during 2013, BGS recognized a total of \$7 million of finance expense that represented the interest costs associated with long-term debt for the periods. BGS’s policy is to classify interest as operating activities. Under IFRS, they could have been classified as financing activities. [“Finance expense” is also call “interest expense” in this context.]

E35 Recognized finance expense				
=	Liabilities		Owners' Eq	
=	+	AcrL	-	FinEx
=	+	+ \$7	-	+ \$7

	Debit	Credit
Finance expense	\$7	
Accrued liabilities		\$7

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other income and (expenses)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Profit (loss)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Net profit	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Accrued liabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

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E36 Anticipated paying non-current debt

At the end of interim periods during 2013, BGS reclassified a total of \$5 million of long-term debt principal from non-current to current liabilities. These transfers ensured that the current liability reported at the end of each period anticipated principal payments for the subsequent 12 months.

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
Inventories	158	109	
Prepaid expenses	10	20	
Other current assets	219	158	
Total current assets	<u>502</u>	<u>366</u>	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	<u>427</u>	<u>374</u>	
Total assets	<u>\$929</u>	<u>\$740</u>	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	<u>109</u>	<u>123</u>	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	<u>207</u>	<u>131</u>	
Total liabilities	<u>316</u>	<u>254</u>	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	<u>613</u>	<u>486</u>	
Total liabilities and stockholders' equity	<u>\$929</u>	<u>\$740</u>	

E36 Anticipated paying non-current debt

=	Liabilities					Debit	Credit
=	+	CPLTD	+	LTD	Long-term debt	\$5	
=	+	+ \$5	+	- \$5	Current portion of long-term debt		\$5

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Net revenues	\$505	\$440
Cost of goods sold	(253)	(220)
Gross profit	252	220
Selling, general, and administrative expenses:		
Depreciation	(7)	(6)
Other selling, general, and administrative	(117)	(105)
Total	(124)	(111)
Other operating income and (expense):		
Gain (loss) on sale of building	3	3
Other	(3)	(3)
Total	0	0
Operating profit	128	109
Other income and (expenses)	1	1
Profit before taxes	129	110
Income tax expense	(40)	(34)
Net profit (loss)	89	76
Other comprehensive income	24	24
Comprehensive income (loss)	\$113	\$100

E36 Anticipated paying non-current debt				
=	Liabilities			
=	+	CPLTD	+	LTD
=	+	+\$5	+	-\$5
			Debit	Credit
			\$5	
				\$5

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Other current liabilities <i>(Current portion of long-term debt)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Long-term borrowings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E36 Anticipated paying non-current debt

= Liabilities				Debit	Credit
= +	CPLTD	+	LTD	Long-term debt	\$5
= +	+ \$5	+	- \$5	Current portion of long-term debt	\$5

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Other current liabilities <small>(Current portion of long-term debt)</small>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Long-term borrowings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E36 Anticipated paying non-current debt

= Liabilities				Debit	Credit
=	+	CPLTD	+	LTD	
=	+	+ \$5	+	- \$5	
					Long-term debt \$5
					Current portion of long-term debt \$5

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Other current liabilities <small>(Current portion of long-term debt)</small>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Long-term borrowings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution: E36 Anticipated paying non-current debt
 At the end of interim periods during 2013, BGS reclassified a total of \$5 million of long-term debt principal from non-current to current liabilities. These transfers ensured that the current liability reported at the end of each period anticipated principal payments for the subsequent 12 months.

E36 Anticipated paying non-current debt

=	Liabilities						
=	+	CPLTD	+	LTD	Long-term debt	\$5	
=	+	+ \$5	+	- \$5	Current portion of long-term debt		\$5

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Other current liabilities <i>(Current portion of long-term debt)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Long-term borrowings	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step: Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.

BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS

ASSETS		OWNERS' EQUITY	
Current		Permanent	
AR	Accounts receivable	RE	Retained earnings
ARG	Accounts receivable, gross	SCap	Share capital
Allbd	Allowance for bad debts	OPOE	Other permanent owners' equity
Allpr	Allowance for product returns: revenue component	Net income	
C	Cash and cash equivalents	AmtEx	Amortization expense
Inven	Inventories	CGS	Cost of goods sold
Minv	Materials inventories	DepEx	Depreciation expense
WIP	Work in process	FinEx	Finance expense
FGI	Finished goods inventories	G/L	Gain/loss
Sldr	Segregated inventories: deferred revenue	PPEGL	Gain/Loss on PP&E disposals
Siprc	Segregated inventories: product returns allowance cost component	ONOGL	Other non-operating gains/losses
PrEx	Prepaid expenses	IncS	Income summary
OCA	Other current assets	MSGA	Miscellaneous SG&A expense
Non-current		Rev	Revenues, net
PPE	Property, plant, and equipment, net	Grev	Gross revenue
PPEhc	PP&E (historical cost)	PRCnR	Product returns contra revenue
AcDep	Accumulated depreciation	OSGA	Other SG&A expense
Intan	Acquired intangibles	OOI	Other operating income net of expenses
Inthc	Intangibles (historical cost)	ONOI	Other non-operating income net of expenses
AcAmt	Accumulated amortization		
ONCA	Other non-current assets		
LIABILITIES			
Current			
AP	Accounts payable		
AcrL	Accrued liabilities		
CPLTD	Current portion of long-term debt		
DivP	Dividend payable		
Drev	Deferred revenue		
OCL	Other current liabilities		
Non-current			
LTD	Long-term debt		
ONCL	Other non-current liabilities		

E37 Recognized lease classified as finance lease

On December 20, 2013, equipment leased by BGS was installed and ready to use. BGS chose not to put it into service until January 10, 2014. BGS concluded the lease met the IFRS criteria for a finance lease and estimated its present value to be \$20 million. Finance leases are recorded under IFRS when the lessee has the right to use property. ["Finance lease" is also call "capital lease" in this context.]

Record the entry in the space below:

BGS's policy is to accrue obligations in "Accrued liabilities" when it has NOT received an invoice and recognize obligations in "Accounts payable" when it receives an invoice.

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION			
December 31, 2013 and December 31, 2012			
(In Millions)			
Assets	2013	2012	
Current			
Cash and cash equivalents	\$31	\$13	
Accounts receivable, net	84	66	
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Total current assets	<u>502</u>	<u>366</u>	
Non-current			
Property, plant, and equipment:			
Historical cost of PP&E	264	220	
Less accumulated depreciation	(70)	(45)	
Net	194	175	
Other non-current assets	233	199	
Total non-current assets	<u>427</u>	<u>374</u>	
Total assets	<u>\$929</u>	<u>\$740</u>	
Liabilities and Stockholders' Equity			
Liabilities			
Current			
Accounts payable	25	35	
Accrued liabilities	14	20	
Dividends payable	12	7	
Other current liabilities	58	61	
Total current liabilities	<u>109</u>	<u>123</u>	
Non-current			
Long-term borrowings	105	60	
Other non-current liabilities	102	71	
Total non-current liabilities	<u>207</u>	<u>131</u>	
Total liabilities	<u>316</u>	<u>254</u>	
Stockholders' equity			
Share capital	253	214	
Retained earnings	310	239	
Reserves	50	33	
Total stockholders' equity	<u>613</u>	<u>486</u>	
Total liabilities and stockholders' equity	<u>\$929</u>	<u>\$740</u>	

E37 Recognized lease classified as finance lease

Assets		=	Liabilities			
+	PPEhc	=	+	LTD	Debit	Credit
+	+ \$20	=	+	+ \$20	PP&E (historical cost)	\$20
					Long-term debt	\$20

Identify the balance sheet line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "cash and cash equivalents" rather than "cash" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION

Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF COMPREHENSIVE INCOME		
For years ended December 31, 2012 and 2013		
(In Millions)	2013	2012
Net revenues	\$505	\$440
Cost of goods sold	(253)	(220)
Gross profit	252	220
Selling, general, and administrative expenses:		
Depreciation	(7)	(6)
Other selling, general, and administrative	(117)	(105)
Total	(124)	(111)
Other operating income and (expense):		
Gain (loss) on sale of building	3	3
Other	(3)	(3)
Total	0	0
Operating profit	128	109
Other income and (expenses)	1	1
Profit before taxes	129	110
Income tax expense	(40)	(34)
Net profit (loss)	89	76
Other comprehensive income	24	24
Comprehensive income (loss)	\$113	\$100

E37 Recognized lease classified as finance lease

Assets		=	Liabilities			
+	PPEhc	=	+	LTD	Debit	Credit
					PP&E (historical cost)	\$20
+	+\$20	=	+	+\$20	Long-term debt	\$20

Identify the income statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “net revenues” rather than “revenue” or “sales” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry. Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Historical cost of PP&E	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Long-term borrowings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CHANGES IN EQUITY				
(In Millions)	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		<u>76</u>	<u>24</u>	<u>100</u>
Common stock issued	7			7
Dividends declared		(23)		(23)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		<u>89</u>	<u>24</u>	<u>113</u>
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

E37 Recognized lease classified as finance lease

Assets		=	Liabilities			
+	PPEhc	=	+	LTD	Debit	Credit
					PP&E (historical cost)	\$20
	+ \$20			+ \$20	Long-term debt	\$20

Identify the statement of changes in owners' equity line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS's statement. For example, list "profit (loss)" rather than "net income" because this is how it's reported on BGS's statement.
- Don't list totals or subtotals indirectly affected by the entry. **Note: "profit (loss)" not a total on the statement of changes in owners' equity.** Be aware of totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write "NONE" if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS's statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Historical cost of PP&E	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Long-term borrowings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY					
Line Items	Increases	Decreases			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			

BISCHOFF GLOBAL SPORTSWEAR STATEMENT OF CASH FLOWS			
For years ended December 31, 2012 and 2013			
(In Millions)	2013	2012	
Cash flows from operating activities			
Net profit	\$89	\$76	
Adjustments			
(Gain) loss on sale of PP&E	(3)	(3)	
Depreciation	32	28	
Accounts receivable	0	(38)	
Inventories	(32)	(36)	
Prepaid expenses	15	13	
Accounts payable	(22)	(21)	
Accrued liabilities	(12)	(10)	
Other	29	16	
Net cash provided by (used in) operations	<u>96</u>	<u>25</u>	
Cash flows from investing activities			
Payments for property, plant, and equipment	(20)	(17)	
Proceeds from disposal of property, plant, and equipment	15	14	
Other investing cash flows	<u>(80)</u>	<u>(37)</u>	
Net cash provided by (used in) investing activities	<u>(85)</u>	<u>(40)</u>	
Cash flows from financing activities			
Proceeds from issue of share capital	10	7	
Proceeds from borrowings	10	9	
Payment of dividends	(20)	(18)	
Other financing cash flows	<u>5</u>	<u>4</u>	
Net cash provided by (used in) financing activities	<u>5</u>	<u>2</u>	
Net increase (decrease) in cash during year	<u>16</u>	<u>(13)</u>	
Other	2	2	
Cash and Cash equivalents at start of year	<u>13</u>	<u>24</u>	
Cash and Cash equivalents at end of year	<u><u>\$31</u></u>	<u><u>\$13</u></u>	

E37 Recognized lease classified as finance lease

Assets		=	Liabilities			
+	PP&E	=	+	LTD	Debit	Credit
					PP&E (historical cost)	\$20
+	+\$20	=	+	+\$20	Long-term debt	\$20

Identify the cash flow statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

Guidance

- Determine the appropriate line item(s) affected using BGS’s statement. For example, list “profit (loss)” rather than “net income” because this is how it’s reported on BGS’s statement.
- Don’t list totals or subtotals indirectly affected by the entry - **with one exception. Identify the subtotal “net cash provided by (used in) operations” if operating cash flows were affected by the entry. This subtotal is conceptually different from other subtotals.** Be aware of other totals and subtotals when identifying ratio effects, but do not list them here.
- Three lines were included below, but you may need none or more than one. Write “NONE” if no line item is affected on the statement.
- Put an X in the appropriate column if the entry increased or decreased the number reported for the line item. For example, if the reported number is negative on BGS’s statement and it changes from -2 to -3, it decreases; if it changes from -2 to -1, it increases.
- Check your answer with the solution on the next page.

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Historical cost of PP&E	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Long-term borrowings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Complete Solution:

E37 Recognized lease classified as finance lease
 “On December 20, 2013, equipment leased by BGS was installed and ready to use. BGS chose not to put it into service until January 10, 2014. BGS concluded the lease met the IFRS criteria for a finance lease and estimated its present value to be \$20 million. Finance leases are recorded under IFRS when the lessee has the right to use property. [“Finance lease” is also call “capital lease” in this context.]”

Related entries:

You may want to review the following entries in the context of a finance (capital) lease:

- Long-Lived Assets Entries [page 217](#)
- Debt Entries [page 224](#)

E37 Recognized lease classified as finance lease

Assets		=	Liabilities			
+	PPEhc	=	+	LTD	Debit	Credit
					PP&E (historical cost)	\$20
+	+\$20	=	+	+\$20	Long-term debt	\$20



- Because PP&E and long-term debt are recorded at the commencement of a finance (capital) lease, all the accounting entries thereafter are structurally identical to those that would have been recorded if the company had purchased the PP&E with debt financing. However, “depreciation” may be referred to as “amortization” by some companies.
- This means that if you understand how to account for PP&E and long-term debt, you know how to account for finance (capital) leases during the lease term.

Identify the financial statement line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects:

STATEMENTS OF FINANCIAL POSITION			STATEMENT OF COMPREHENSIVE INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
Historical cost of PP&E	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
Long-term borrowings	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
STATEMENT OF CHANGES IN EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
NONE	<input type="checkbox"/>	<input type="checkbox"/>	NONE	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Next step:

Extend this exercise using a real company’s financial statements to identify line items directly affected by this entry, including the effect(s) of closing entries, and the direction of the effects.

Watch for effects on fewer line items if amounts are netted together or effects on more line items if the company discloses more details. Also watch for synonyms and other differences like negative or positive reported numbers.