

FUNDAMENTALS OF FINANCE

Basic Financial Statement

by

Norazidah Shamsudin
Faculty of Industrial Management
norazidah@ump.edu.my

Chapter Description

- **Synopsis**

This chapter is an introduction chapter to the format, function and importance of basic financial statement.



- **Expected Outcomes**

Students should be able to:

1. Understand the format and basic equation of Balance Sheet and Income Statement
2. Explain the function and importance of Balance Sheet and Income Statement



Content Outline

- Financial Statement
- Balance Sheet
 - Balance Sheet Equation
- Income Statement
 - Income Statement Equation



Financial Statement

- A firm's prepare its financial statement to report their:
 - financial health as at to date; and
 - profit earnings for a particular year
- The financial statement would benefit the stakeholders who are manager, shareholders, banks, investor, analyst, employee, competitor, researcher and others.



Financial Statement

- Financial Statement published in an annual report on yearly basis.

07	FINANCIAL STATEMENTS	158	Accountability	284	Other Information
		186	Reports and Financial Statements		Proxy Form
AIRASIA BERHAD			ANNUAL REPORT 2016		

REPORTS AND FINANCIAL STATEMENTS

186	Directors' Report
189	General Information and Summary of Significant Accounting Policies
204	Income Statements
205	Statements of Comprehensive Income
206	Balance Sheets
208	Consolidated Statement of Changes in Equity
209	Company Statement of Changes in Equity
210	Cash Flow Statements
213	Notes to the Financial Statements
277	Supplementary Information
278	Statement by Directors
278	Statutory Declaration
279	Independent Auditors' Report

Source: <https://www.airasia.com/cdn/docs/common-docs/investor-relations/airasia-annual-report-2016.pdf>

Income Statement

Balance Sheet



Balance Sheet

- The statement shows the financial position of a firm. Most of the company report it by five segments that are:

Current
Assets

Current
Liabilities

Non-Current
Assets

Long-term
Liabilities

Equity



Balance Sheet

- Balance Sheet is also known as Statement of Financial Position.
- The basic equation for the statement:

Current Asset +
Non-Current Asset



Current Liabilities + Long-term
Liabilities + Equity



BALANCE SHEET

BALANCE SHEETS

as at 31 December 2016

Source: <https://www.airasia.com/cdn/docs/common-docs/investor-relations/airasia-annual-report-2016.pdf>

	Note	Group		Company	
		2016 RM '000	2015 RM '000	2016 RM '000	2015 RM '000
NON-CURRENT ASSETS					
Property, plant and equipment	8	10,836,482	9,927,645	7,858,892	9,803,655
Investment in subsidiaries	9	-	-	179,754	64,840
Investment in joint ventures	10	168,209	164,034	81,109	81,559
Investment in associates	11	2,290,587	1,020,640	1,538,678	712,398
Available-for-sale financial assets	12	356,605	235,097	351,167	235,097
Intangible assets	13	121,829	19,184	-	-
Deferred tax assets	14	749,211	828,950	749,038	828,777
Receivables and prepayments	15	1,403,054	1,412,242	1,379,778	1,165,008
Deposits on aircraft purchase	16	112,133	334,487	112,132	334,487
Amounts due from associates	17	344,661	1,162,119	344,661	1,034,869
Derivative financial instruments	18	867,949	945,490	867,949	945,490
		17,211,220	17,029,676	13,458,808	15,428,500
CURRENT ASSETS					
Inventories	19	43,846	26,152	43,650	26,152
Receivables and prepayments	15	1,087,657	667,422	1,004,718	556,140
Deposits on aircraft purchase	16	658,115	348,820	658,115	348,820
Derivative financial instruments	18	665,668	499,112	665,668	499,112
Amounts due from subsidiaries	20	-	-	800,970	406,225
Amounts due from joint ventures	21	8,952	5,708	8,952	5,708
Amounts due from associates	17	511,446	294,970	282,047	297,976
Amounts due from related parties	20	37,424	43,651	16,102	15,787
Tax recoverable		19,466	3,648	19,856	3,318
Deposits, cash and bank balances	22	1,748,573	2,426,696	1,428,856	2,262,641
		4,774,167	4,286,379	4,928,964	4,222,099

Non-Current Asset

- ✓ Property, Plant & Equipment
- ✓ Investment in Subsidiaries
- ✓ Intangible Assets

Current Asset

- ✓ Inventories
- ✓ Receivables and Prepayments
- ✓ Deposits, Cash and Bank balances



BALANCE SHEET

NON-CURRENT ASSETS

Property, plant and equipment
Investment in subsidiaries
Investment in joint ventures
Investment in associates
Available-for-sale financial assets
Intangible assets
Deferred tax assets
Receivables and prepayments
Deposits on aircraft purchase
Amounts due from associates
Derivative financial instruments

CURRENT ASSETS

Inventories
Receivables and prepayments
Deposits on aircraft purchase
Derivative financial instruments
Amounts due from subsidiaries
Amounts due from joint ventures
Amounts due from associates
Amounts due from related parties
Tax recoverable
Deposits, cash and bank balances

Source: <https://www.airasia.com/cdn/docs/common-docs/investor-relations/airasia-annual-report-2016.pdf>



BALANCE SHEET

BALANCE SHEETS

as at 31 December 2016

Note	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
LESS: CURRENT LIABILITIES				
Trade and other payables	23	1,882,883	1,634,057	1,819,376
Sales in advance		607,735	664,258	606,088
Accounts due to subsidiaries	24	-	-	-
Accounts due to associates	17	3,978	-	25,290
Accounts due to related parties	24	29,999	13,661	58,351
Borrowings	25	1,945,203	2,377,256	1,575,721
Derivative financial instruments	18	448,673	582,491	448,673
		4,917,571	5,271,716	4,533,629
		(143,604)	(985,337)	393,335
				(1,052,495)
NET CURRENT (LIABILITIES)/ ASSETS				
NON-CURRENT LIABILITIES				
Trade and other payables	23	1,529,293	1,043,994	1,497,466
Accounts due to associates	17	88,898	76,266	21,934
Accounts due to a related party	24	9,455	-	-
Borrowings	25	8,633,939	10,235,579	6,219,922
Derivative financial instruments	18	148,052	237,898	148,052
		10,439,637	11,593,687	7,887,374
		6,627,779	4,450,654	5,964,769
				3,670,982
CAPITAL AND RESERVES				
Share capital	26	278,297	278,297	278,297
Share premium		1,230,941	1,230,941	1,230,941
Treasury shares		(160)	-	(160)
Foreign exchange reserve		46,993	18,948	-
Retained earnings	27(a)	5,294,468	3,355,780	4,644,678
Other reserves	27(b)	(37,554)	(431,598)	(188,967)
		6,632,985	4,452,328	5,964,769
Non-controlling interests		(5,206)	(1,674)	-
Total equity		6,627,779	4,450,654	5,964,769
				3,670,982

REPORTS AND FINANCIAL STATEMENTS

Source: <https://www.airasia.com/cdn/docs/common-docs/investor-relations/airasia-annual-report-2016.pdf>

Current Liabilities

- Trade and Other payables
- Borrowings

Non-Current Liabilities

- LT Trade and Other payables
- LT Borrowings

Equity

- Share Capital
- Retained Earnings



BALANCE SHEET

LESS: CURRENT LIABILITIES

Trade and other payables
 Sales in advance
 Amounts due to subsidiaries
 Amounts due to associates
 Amounts due to related parties
 Borrowings
 Derivative financial instruments

NET CURRENT (LIABILITIES)/ASSETS

NON-CURRENT LIABILITIES

Trade and other payables
 Amounts due to associates
 Amount due to a related party
 Borrowings
 Derivative financial instruments

CAPITAL AND RESERVES

Share capital
 Share premium
 Treasury shares
 Foreign exchange reserve
 Retained earnings
 Other reserves

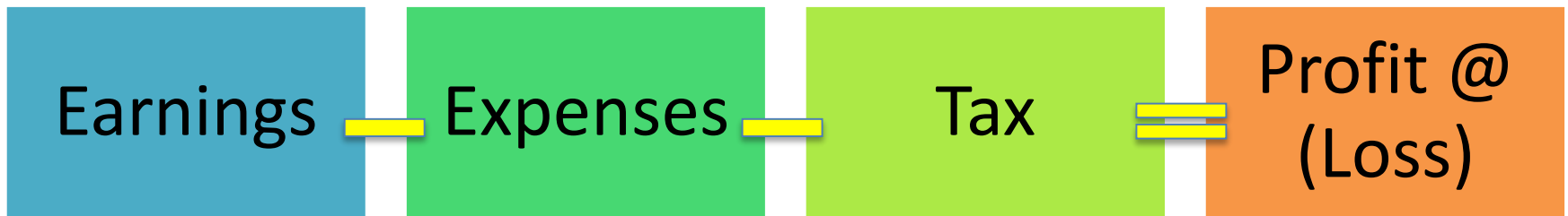
Non-controlling interests
 Total equity

Source: <https://www.airasia.com/cdn/docs/common-docs/investor-relations/airasia-annual-report-2016.pdf>



Income Statement

- Income Statement is also known as Statement of Profit & Loss.
- The statement shows the excess or shortage of a firm's operation and the record includes income tax.



INCOME STATEMENT

INCOME STATEMENTS

for the financial year ended 31 December 2016

Source: <https://www.airasia.com/cdn/docs/common-docs/investor-relations/airasia-annual-report-2016.pdf>

	Note	Group		Company	
		2016 RM '000	2015 RM '000	2016 RM '000	2015 RM '000
Revenue	1(a)	6,846,065	6,297,658	5,948,139	6,001,933
Other income	1(b)	352,703	252,895	917,035	282,153
Operating expenses					
- Staff costs	2	(1,015,258)	(759,420)	(964,825)	(732,935)
- Depreciation of property, plant and equipment	8	(710,840)	(703,245)	(562,024)	(691,853)
- Aircraft fuel expenses		(1,578,473)	(2,000,650)	(1,578,473)	(2,000,650)
- Maintenance and overhaul		(218,753)	(196,883)	(227,958)	(196,637)
- User charges	4	(801,656)	(685,013)	(801,656)	(684,342)
- Aircraft operating lease expenses		(479,485)	(330,791)	(90,844)	(102,202)
- Other operating expenses	3	(283,031)	(283,758)	(228,679)	(260,394)
Operating profit		2,111,289	1,595,873	2,407,715	1,545,043
Finance income	5	134,923	154,148	110,190	127,004
Finance costs	5	(593,061)	(724,035)	(526,344)	(713,166)
Net operating profit		1,653,151	1,025,986	1,991,561	958,881
Foreign exchange gain/(loss)	5	484,685	(208,238)	482,105	(336,580)
Gain on disposal of interests in a joint venture	11	-	320,500	-	-
Impairment of investments in associates		(163,750)	-	(163,750)	(875,653)
Share of results of joint ventures	10	24,285	25,492	-	-
Share of results of associates	11	134,704	(825,490)	-	-
Profit/(loss) before taxation		2,103,075	215,150	2,309,956	(253,362)
Taxation					
- Current taxation	6	(6,394)	(15,850)	(5,394)	(15,816)
- Deferred taxation	6	(79,239)	361,982	(79,239)	361,989
		(86,133)	326,132	(85,133)	325,971
Net profit for the financial year		2,046,942	546,280	2,224,788	72,609
Net profit for the financial year attributable to:					
- Owners of the Company		2,050,043	541,194		
- Non-controlling interests		(3,101)	86		
		2,046,942	546,280		
Earnings per share attributable to owners of the Company (sen)					
- Basic	7	73.7	19.4		
- Diluted	7	73.7	19.4		

Earnings

- Revenue
- Other Income

Expenses

- Operating Cost
- Financial Cost

- Income Tax



INCOME STATEMENT

Revenue
Other income
Operating expenses
- Staff costs
- Depreciation of property, plant and equipment
- Aircraft fuel expenses
- Maintenance and overhaul
- User charges
- Aircraft operating lease expenses
- Other operating expenses
Operating profit
Finance income
Finance costs
Net operating profit
Foreign exchange gain/(losses)
Gain on disposal of interest in a joint venture
Impairment of investment in associates
Share of results of joint ventures
Share of results of associates
Profit/(loss) before taxation
Taxation
- Current taxation
- Deferred taxation
Net profit for the financial year

Source: <https://www.airasia.com/cdn/docs/common-docs/investor-relations/airasia-annual-report-2016.pdf>



Conclusion of The Chapter

- Conclusion
 - Financial statements provides information on company's performance.
 - One needs to understand how to read the financial statement before proceed with analysis.



Disclaimer: The material prepared is for learning purpose only.

