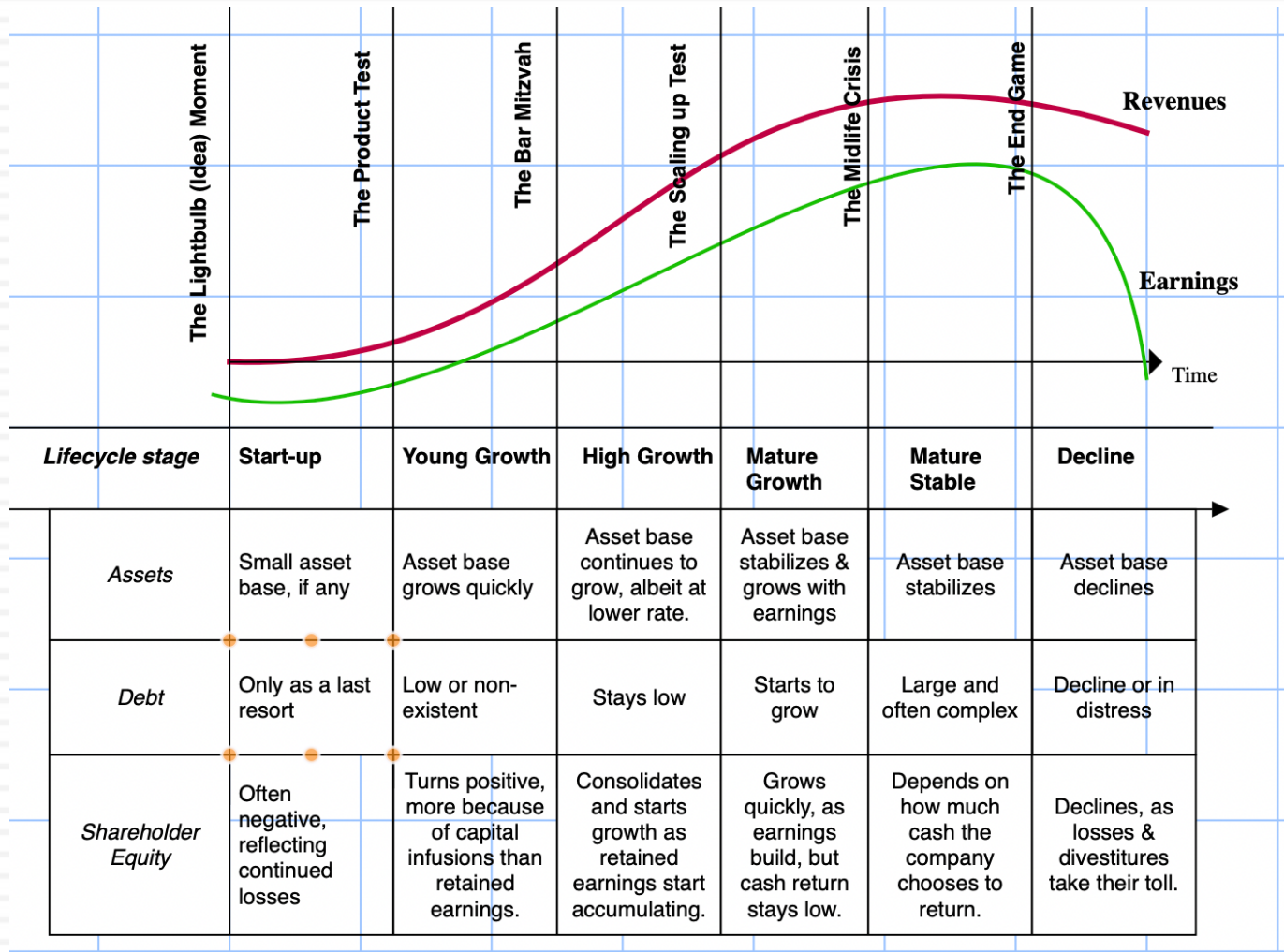




## SESSION 3A: BALANCE SHEET COMPARISONS

Accounting for Finance

# Balance Sheet: A Life Cycle Perspective



# A Young Company: Peloton's Balance Sheet (2019) in its Prospectus

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	As of June 30,		Pro Forma as of June 30, 2019 (unaudited)
	2018	2019	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 150.6	\$ 162.1	
Marketable securities	—	216.0	
Inventories	25.3	136.6	
Prepaid expenses and other current assets	18.4	48.4	
Total current assets	203.8	581.7	
Property and equipment, net	36.2	249.7	
Intangible assets, net	24.5	19.5	
Goodwill	4.2	4.3	
Restricted cash	1.0	0.8	
Other assets	1.6	8.5	
Total assets	\$ 271.2	\$ 864.5	
<b>LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT</b>			
Current Liabilities:			
Accounts payable	\$ 28.1	\$ 92.2	
Accrued expenses	51.4	104.5	
Customer deposits and deferred revenue	88.5	90.8	
Other current liabilities	2.2	3.3	
Total current liabilities	170.2	290.8	
Deferred rent	9.4	23.7	
Build-to-suit liability	—	147.1	
Other non-current liabilities	1.0	0.4	
Total liabilities	180.5	462.0	
Commitments and contingencies (Note 11)			
Redeemable convertible preferred stock, \$0.000025 par value, 182,193,592 and 215,443,468 shares authorized; 176,313,468 and 210,640,629 shares issued and outstanding as of June 30, 2018 and 2019, respectively; no shares issued and outstanding as of June 30, 2019, pro forma (unaudited)	406.3	941.1	\$ —
Stockholders' Deficit:			
Common stock, \$0.000025 par value, 266,946,216 and 400,000,000 shares authorized; 25,936,848 and 25,301,604 shares issued and outstanding as of June 30, 2018 and 2019, respectively; 235,942,233 shares outstanding pro forma (unaudited)	—	—	—
Additional paid-in capital	20.5	90.7	1,031.8
Accumulated other comprehensive loss	—	0.2	0.2
Accumulated deficit	(336.1)	(629.5)	(629.5)
Total stockholders' deficit	(315.6)	(538.6)	\$ 402.5
Total liabilities, redeemable convertible preferred stock, and stockholders' deficit	\$ 271.2	\$ 864.5	

# A Growth Company: Netflix's Balance Sheet (2019)

	As of December 31,	
	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,018,437	\$ 3,794,483
Current content assets, net	—	5,151,186
Other current assets	1,160,067	748,466
Total current assets	6,178,504	9,694,135
Non-current content assets, net	24,504,567	14,951,141
Property and equipment, net	1,000,000	1,000,000
Other non-current assets	2,727,420	910,843
Total assets	\$ 33,975,712	\$ 25,974,400
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current content liabilities	\$ 4,413,561	\$ 4,681,562
Accounts payable	674,347	562,985
Accrued expenses and other liabilities	843,043	481,874
Deferred revenue	924,745	760,899
Total current liabilities	6,855,696	6,487,320
Non-current content liabilities	3,334,323	3,759,026
Long-term debt	14,759,260	10,360,058
Other non-current liabilities	1,444,276	129,231
Total liabilities	26,393,555	20,735,635
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized at December 31, 2019 and 2018; no shares issued and outstanding at December 31, 2019 and 2018	—	—
Common stock, \$0.001 par value; 419,000,000 shares authorized at December 31, 2019 and December 31, 2018, respectively; 436,600,049 and 436,598,597 issued and outstanding at December 31, 2019 and December 31, 2018, respectively	2,793,929	2,315,988
Accumulated other comprehensive loss	(23,521)	(19,582)
Retained earnings	4,811,749	2,942,359
Total stockholders' equity	7,582,157	5,238,765
Total liabilities and stockholders' equity	\$ 33,975,712	\$ 25,974,400

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# A Mature Company: Coca Cola's Balance Sheet (2019)

December 31,	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,480	\$ 9,077
Short-term investments	1,467	2,025
<b>Total Cash, Cash Equivalents and Short-Term Investments</b>	<b>7,947</b>	<b>11,102</b>
Marketable securities	3,228	5,013
Trade accounts receivable, less allowances of \$524 and \$501, respectively	3,971	3,685
Inventories	3,379	3,071
Prepaid expenses and other assets	1,886	2,059
<b>Total Current Assets</b>	<b>20,411</b>	<b>24,930</b>
Equity method investments	19,025	19,412
Other investments	687	687
Other assets	6,075	4,148
Deferred income tax assets	2,412	2,674
Property, plant and equipment — net	10,636	9,396
Trademarks with indefinite lives	9,266	6,682
Bottlers' franchise rights with indefinite lives	109	51
Goodwill	16,764	14,109
Other intangible assets	627	745
<b>Total Assets</b>	<b>\$ 86,381</b>	<b>\$ 83,216</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 11,312	\$ 9,533
Loans and notes payable	10,994	13,835
Current maturities of long-term debt	4,253	5,003
Accrued income taxes	414	411
<b>Total Current Liabilities</b>	<b>26,973</b>	<b>28,782</b>
Long-term debt	27,516	25,376
Other liabilities	8,510	7,646
Deferred income tax liabilities	2,284	2,354
<b>The Coca-Cola Company Shareowners' Equity</b>		
Common stock, \$0.25 par value; authorized — 11,200 shares; issued — 7,040 shares	1,760	1,760
Capital surplus	17,154	16,520
Reinvested earnings	65,855	63,234
Accumulated other comprehensive income (loss)	(13,544)	(12,814)
Treasury stock, at cost — 2,760 and 2,772 shares, respectively	(52,244)	(51,719)
<b>Equity Attributable to Shareowners of The Coca-Cola Company</b>	<b>18,981</b>	<b>16,981</b>
Equity attributable to noncontrolling interests	2,117	2,077
<b>Total Equity</b>	<b>21,098</b>	<b>19,058</b>
<b>Total Liabilities and Equity</b>	<b>\$ 86,381</b>	<b>\$ 83,216</b>

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# Coca Cola's Debt in 2019

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U.S. dollar notes due 2020–2093
U.S. dollar debentures due 2022–2098
U.S. dollar zero coupon notes due 2020
Australian dollar notes due 2020–2024
Euro notes due 2021–2036
Swiss franc notes due 2022–2028
Other, due through 2098 <sup>3</sup>
Fair value adjustments <sup>4</sup>
<b>Total<sup>5,6</sup></b>
Less: Current portion
<b>Long-term debt</b>

	December 31, 2019		December 31, 2018	
	Amount	Average Rate <sup>1</sup>	Amount	Average Rate <sup>1</sup>
\$	14,621	2.4 %	\$ 13,619	2.6 %
	1,366	4.9	1,390	5.2
	168	8.4	163	8.4
	677	2.4	723	2.2
	12,807	0.5	12,994	0.6
	1,129	3.7	1,128	3.6
	548	6.2	300	4.0
	453	N/A	62	N/A
	<b>31,769</b>	<b>1.9 %</b>	<b>30,379</b>	<b>1.9 %</b>
	<b>4,253</b>		<b>5,003</b>	
\$	<b>27,516</b>		\$ <b>25,376</b>	

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Maturities of long-term debt for the five years succeeding December 31, 2019 are as follows (in millions):

2020	4,253
2021	3,767
2022	3,788
2023	4,097
2024	1,974

# Coca Cola's Accounting Intangibles: Small-bore?

## *Indefinite-Lived Intangible Assets*

The following table presents the carrying values of indefinite-lived intangible assets included in our consolidated balance sheets (in millions):

December 31,	2019	2018
Trademarks <sup>1</sup>	\$ 9,266	\$ 6,682
Bottlers' franchise rights	109	51
Goodwill <sup>1</sup>	16,764	14,109
Other	110	106
<b>Indefinite-lived intangible assets</b>	<b>\$ 26,249</b>	<b>\$ 20,948</b>

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## *Definite-Lived Intangible Assets*

The following table provides information related to definite-lived intangible assets (in millions):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Customer relationships	\$ 344	\$ (177)	\$ 167	\$ 290	\$ (151)	\$ 139
Bottlers' franchise rights	341	(94)	247	396	(18)	378
Trademarks	177	(99)	78	186	(91)	95
Other	55	(30)	25	88	(61)	27
<b>Total</b>	<b>\$ 917</b>	<b>\$ (400)</b>	<b>\$ 517</b>	<b>\$ 960</b>	<b>\$ (321)</b>	<b>\$ 639</b>

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# An Aging Company: Toyota's Assets in 2020

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	FY2019 (March 31, 2019)	FY2020 (March 31, 2020)	Increase (Decrease)
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	3,574,704	4,190,518	615,814
Time deposits	1,126,352	828,220	(298,132)
Marketable securities	1,127,160	678,731	(448,429)
Trade accounts and notes receivable, less allowance for doubtful accounts of ¥16,370 million at March 31, 2019 and ¥15,971 million at March 31, 2020	2,372,734	2,094,894	(277,840)
<b>Finance receivables, net</b>	<b>6,647,771</b>	<b>6,614,171</b>	<b>(33,600)</b>
Other receivables	568,156	564,854	(3,302)
Inventories	2,656,396	2,434,918	(221,478)
Prepaid expenses and other current assets	805,964	1,236,225	430,261
<b>Total current assets</b>	<b>18,879,237</b>	<b>18,642,531</b>	<b>(236,706)</b>
Noncurrent finance receivables, net	10,281,118	10,423,858	142,740
<b>Investments and other assets:</b>			
Marketable securities and other securities investments	7,479,926	7,348,651	(131,275)
<b>Affiliated companies</b>	<b>3,313,723</b>	<b>4,123,453</b>	<b>809,730</b>
Employees receivables	21,663	21,464	(199)
Other	1,275,768	1,518,934	243,166
<b>Total investments and other assets</b>	<b>12,091,100</b>	<b>13,012,522</b>	<b>921,422</b>
<b>Property, plant and equipment:</b>			
Land	1,386,308	1,346,988	(39,320)
Buildings	4,802,175	4,730,783	(71,392)
Machinery and equipment	11,857,425	11,939,121	81,696
Vehicles and equipment on operating leases	6,139,163	5,929,233	(209,930)
Construction in progress	651,713	510,963	(140,750)
<b>Total property, plant and equipment, at cost</b>	<b>24,836,784</b>	<b>24,457,088</b>	<b>(379,696)</b>
Less – Accumulated depreciation	(14,151,290)	(13,855,563)	295,727
<b>Total property, plant and equipment, net</b>	<b>10,685,494</b>	<b>10,601,525</b>	<b>(83,969)</b>
<b>Total assets</b>	<b>51,936,949</b>	<b>52,680,436</b>	<b>743,487</b>



# An Aging Company: Toyota's Liabilities in 2020

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(Yen in millions)

	FY2019 (March 31, 2019)	FY2020 (March 31, 2020)	Increase (Decrease)
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Short-term borrowings	5,344,973	5,286,026	(58,947)
Current portion of long-term debt	4,254,260	4,574,045	319,785
Accounts payable	2,645,984	2,434,180	(211,804)
Other payables	1,102,802	1,020,270	(82,532)
Accrued expenses	3,222,446	2,926,052	(296,394)
Income taxes payable	320,998	218,117	(102,881)
Other current liabilities	1,335,475	1,443,687	108,212
<b>Total current liabilities</b>	<b>18,226,938</b>	<b>17,902,377</b>	<b>(324,561)</b>
<b>Long-term liabilities:</b>			
Accrued pension and severance costs	963,406	978,626	15,220
Deferred income taxes	1,014,851	1,043,169	28,318
Other long-term liabilities	615,599	821,515	205,916
<b>Total long-term liabilities</b>	<b>13,144,801</b>	<b>13,536,208</b>	<b>391,407</b>
<b>Total liabilities</b>	<b>31,371,739</b>	<b>31,438,585</b>	<b>66,846</b>
<b>Mezzanine equity</b>			
Model AA Class Shares, no par value, authorized: 150,000,000 shares at March 31, 2019 and March 31, 2020 issued: 47,100,000 shares at March 31, 2019 and March 31, 2020	498,073	504,169	6,096
<b>Shareholders' equity</b>			
<b>Toyota Motor Corporation shareholders' equity:</b>			
Common stock, no par value, authorized: 10,000,000,000 shares at March 31, 2019 and March 31, 2020 issued: 3,262,997,492 shares at March 31, 2019 and March 31, 2020	397,050	397,050	—
Additional paid-in capital	487,162	489,334	2,172
Retained earnings	21,987,515	23,427,613	1,440,098
Accumulated other comprehensive income (loss)	(916,650)	(1,166,273)	(249,623)
Treasury stock, at cost, 430,558,325 shares at March 31, 2019 and 496,844,960 shares at March 31, 2020	(2,606,925)	(3,087,106)	(480,181)
<b>Total Toyota Motor Corporation shareholders'       equity</b>	<b>19,348,152</b>	<b>20,060,618</b>	<b>712,466</b>
Noncontrolling interests	718,985	677,064	(41,921)
<b>Total shareholders' equity</b>	<b>20,067,137</b>	<b>20,737,682</b>	<b>670,545</b>
<b>Commitments and contingencies</b>			
<b>Total liabilities, mezzanine equity and shareholders'   equity</b>	<b>51,936,949</b>	<b>52,680,436</b>	<b>743,487</b>

# Sector and Industry Differences

- As with income statements, there are differences in what shows up on balance sheets in different sectors, though the accounting standards governing all companies may be the same.
- In particular, the divergences play out on both sides of the balance sheet:
  - On the asset side, it can show up in how much of the value comes from tangible as opposed to intangible assets.
  - For acquisitive companies, it can also show up as uniquely accounting items like goodwill.

# A Commodity Company: Total's Assets in 2020

## TOTAL

### ASSETS

As of December 31, (M\$)

		2019	2018	2017
<b>Non-current assets</b>				
Intangible assets, net	(Notes 4 & 7)	33,178	28,922	14,587
Property, plant and equipment, net	(Notes 4 & 7)	116,408	113,324	109,397
Equity affiliates: investments and loans	(Note 8)	27,122	23,444	22,103
Other investments	(Note 8)	1,778	1,421	1,727
Non-current financial assets	(Note 15)	912	680	679
Deferred income taxes	(Note 11)	6,216	6,663	5,206
Other non-current assets	(Note 6)	2,415	2,509	3,984
<b>TOTAL NON-CURRENT ASSETS</b>		<b>188,029</b>	<b>176,963</b>	<b>157,683</b>
<b>Current assets</b>				
Inventories, net	(Note 5)	17,132	14,880	16,520
Accounts receivable, net	(Note 7)	15,155	14,275	14,200
Other current assets	(Note 5)	17,013	14,724	14,210
Current financial assets	(Note 15)	3,992	3,654	3,393
Cash and cash equivalents	(Note 15)	27,352	27,907	33,185
Assets classified as held for sale	(Note 2)	1,288	1,364	2,747
<b>TOTAL CURRENT ASSETS</b>		<b>85,265</b>	<b>79,799</b>	<b>84,948</b>
<b>TOTAL ASSETS</b>		<b>273,294</b>	<b>256,762</b>	<b>242,631</b>

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# A Commodity Company: Total's Liabilities in 2020

## LIABILITIES & SHAREHOLDERS' EQUITY

As of December 31, (M\$)

		2019	2018	2017
<b>Shareholders' equity</b>				
Common shares		8,123	8,227	7,882
Paid-in surplus and retained earnings		121,170	120,569	112,040
Currency translation adjustment		(11,503)	(11,313)	(7,908)
Treasury shares		(1,012)	(1,843)	(458)
<b>TOTAL SHAREHOLDERS' EQUITY – GROUP SHARE</b>	(Note 9)	<b>116,778</b>	<b>115,640</b>	<b>111,556</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>2,527</b>	<b>2,474</b>	<b>2,481</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>119,305</b>	<b>118,114</b>	<b>114,037</b>
<b>Non-current liabilities</b>				
Deferred income taxes	(Note 11)	11,858	11,490	10,828
Employee benefits	(Note 10)	3,501	3,363	3,735
Provisions and other non-current liabilities	(Note 12)	20,613	21,432	15,986
Non-current financial debt	(Note 15)	47,773	40,129	41,340
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>83,745</b>	<b>76,414</b>	<b>71,889</b>
<b>Current liabilities</b>				
Accounts payable		28,394	26,134	26,479
Other creditors and accrued liabilities	(Note 5)	25,749	22,246	17,779
Current borrowings	(Note 15)	14,819	13,306	11,096
Other current financial liabilities	(Note 15)	487	478	245
Liabilities directly associated with the assets classified as held for sale	(Note 2)	795	70	1,106
<b>TOTAL CURRENT LIABILITIES</b>		<b>70,244</b>	<b>62,234</b>	<b>56,705</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>273,294</b>	<b>256,762</b>	<b>242,631</b>

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# A Financial Service Company: HSBC in 2019

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	Notes*	At	
		31 Dec 2019 \$m	31 Dec 2018 \$m
Items in the course of collection from other banks		154,099	162,843
Hong Kong Government certificates of indebtedness		4,956	5,787
Trading assets	11	254,271	238,130
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	14	43,627	41,111
Derivatives	15	242,995	207,825
Loans and advances to banks		69,203	72,167
Loans and advances to customers		1,036,743	981,696
Reverse repurchase agreements – non-trading		240,862	242,804
Financial investments	16	443,312	407,433
Prepayments, accrued income and other assets	22	136,680	110,571
		755	684
	18	24,474	22,407
	21	20,163	24,357
	7	4,632	4,450
<b>Total assets</b>		<b>2,715,152</b>	<b>2,558,124</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Hong Kong currency notes in circulation		38,380	35,859
Deposits by banks		59,022	56,331
Customer accounts		1,439,115	1,362,643
Repurchase agreements – non-trading		140,344	165,884
Items in the course of transmission to other banks		4,817	5,641
Trading liabilities	23	83,170	84,431
Financial liabilities designated at fair value	24	164,466	148,505
Derivatives	15	239,497	205,835
Debt securities in issue	25	104,555	85,342
Accruals, deferred income and other liabilities	26	118,156	97,380
Current tax liabilities		2,150	718
Liabilities under insurance contracts	4	97,439	87,330
Provisions	27	3,398	2,920
Deferred tax liabilities	7	3,375	2,619
Subordinated liabilities	28	24,600	22,437
<b>Total liabilities</b>		<b>2,522,484</b>	<b>2,363,875</b>
<b>Equity</b>			
Called up share capital	31	10,319	10,180
Share premium account	31	13,959	13,609
Other equity instruments		20,871	22,367
Other reserves		2,127	1,906
Retained earnings		136,679	138,191
<b>Total shareholders' equity</b>		<b>183,955</b>	<b>186,253</b>
Non-controlling interests		8,713	7,996
		192,668	194,249
<b>Total liabilities and equity</b>		<b>2,715,152</b>	<b>2,558,124</b>

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# A Pharmaceutical Company: Dr. Reddy's

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2020	As at 31 March 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2.1	27,608	20,504
Capital work-in-progress		3,841	4,001
Goodwill	2.2	323	323
Other intangible assets	2.3	6,318	7,000
Intangible assets under development	2.4	277	-
<b>Financial assets</b>			
Investments	2.5 A	33,071	18,191
Trade receivables	2.5 B	1,737	113
Loans	2.5 C	12	332
Other financial assets	2.5 D	474	447
Deferred tax assets, net	2.26	6,129	-
Tax assets, net		3,073	3,106
Other non-current assets	2.6 A	138	126
		93,691	73,143
<b>Current assets</b>			
Inventories	2.7	21,904	20,156
<b>Financial assets</b>			
Investments	2.5 A	21,184	21,144
Trade receivables	2.5 B	46,387	37,177
Derivative instruments	2.29	783	335
Cash and cash equivalents	2.5 E	392	1,132
Other financial assets	2.5 D	1,888	692
Other current assets	2.6 B	8,529	8,696
		101,067	89,332
<b>Total assets</b>		<b>194,758</b>	<b>162,475</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity share capital	2.8	831	830
Other equity		151,088	126,011
		151,919	126,841
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	2.9 A	193	3,454
Provisions	2.10 A	545	547
Deferred tax liabilities, net	2.26	-	555
Other non-current liabilities	2.11 A	296	285
		1,034	4,841
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	2.9 B	10,436	5,463
Trade payables	2.9 C		
Total outstanding dues of micro enterprises and small enterprises		55	77
Total outstanding dues of creditors other than micro enterprises and small enterprises		10,629	10,239
Derivative instruments	2.29	1,524	45
Other financial liabilities	2.9 D	13,928	10,160
Provisions	2.10 B	2,073	1,847
Other current liabilities	2.11 B	3,160	2,962
		41,805	30,793
<b>Total equity and liabilities</b>		<b>194,758</b>	<b>162,475</b>

# Bottom Line

- A balance sheet is the financial statement that most reflects the history of a company, since constructed correctly it is the cumulated result of all of the company's activities during its existence.
- That said, there is disagreement even among accountants as to what the history should reveal, with old-time accounting arguing that it should reflect what the company has invested in its existing assets, not what they are worth today, and fair-value accounting arguing that it should reflect its current value.
- The end result is that balance sheets today are a mess, measuring neither invested capital nor fair value. The most useful items on a balance sheet now are
  - Cash & marketable securities, since it is not subject to nuance
  - Debt, since it measures closely what is owed (at least on interest bearing liabilities)