



General Accounting

Ankara University
Faculty of Pharmacy



Financial Statements

Accounting is a system for measuring the results of business activities and summarizing them in a way that the parties concerned can understand.


Financial statements are the tools that provide the information that is recorded and classified within the accounting system of the enterprise to those who need this information at certain time intervals and that they will use this information.



Definition of Balance Sheet

Balance Sheet: It is a table showing the assets, liabilities and equity (financial status) of a business in a detailed and systematic way.

Balance Sheet: It can be compared to the monetary section of a business at a certain moment or the snapshot photo at that moment.



Balance Sheet and Basic Accounting Equation

The balance sheet lists the assets and resources in the accounting basic equation in detail and in an organized manner. Therefore, equality in accounting basic equation is naturally found in the balance sheet.

Balance sheet basic equation:

Assets = Liabilities



Basic Qualities of Balance Sheet

- Taking the national currency as the basis for expressing the economic values and resources in the balance sheet.
- Arranging the balance sheet in accordance with the basic concepts of accounting and generally accepted accounting principles.
- Considering that the balance sheet is a document of past activities
- In displaying active values: Cost value principle
- In showing debts: Accrual basis



Title of Balance Sheet

There is information that should be formally found in the title section of the balance sheet.

- Name or title of the business to which the balance sheet belongs.
- The word “balance sheet”
- History of data on the balance sheet
- The currency unit subject to the balance sheet



Formats of Balance Sheet

Two different format of balance sheet:

- Account Type Balance Sheets
- Report Type Balance Sheets

The format of balance sheet is determined by Uniform Accounting System in Turkey. Therefore, account-type (T) balance sheets will be disclosed in the following slides.



Account Type Balance Sheets

Account type balance sheets are indicated by the symbol (T).

T symbol

Left side: Assets

Right side: Liabilities and Equity



Assets

The active side of the balance sheet is divided into two in connection with the concept of periodicity:

- Current Assets: Values to be used, consumed or converted into money within a year or normal operating period.
- Non-current Assets: Values to be used, consumed or converted into money over a period of one year or normal activity.



Assets

Being liquid: Being able to turn money into money with minimum loss from assets' values

In the Uniform Accounting System, businesses show the active items in the order of the most liquid to the least liquid in the balance sheet.



Liabilities

The right side of the balance sheet is divided into two as Liabilities and Shareholders' Equity.

Liabilities are also divided into two in connection with the concept of periodicity. Thus, the right side of the balance sheet consists of three parts.



Liabilities

Short-Term Liabilities: Debts and liabilities that will be due within one year or the normal operating period of the enterprise.

Long Term Liabilities: Debts and liabilities with a maturity of one year or longer than the normal operating period of the enterprise.

Shareholders' Equity: These are the investments made by the owners by leaving the capital and profit shares brought to the company.



Liabilities

In Uniform Accounting System, liabilities accounts take place from the shortest term source to the longest term basis. Since the maturity of own funds is considered unlimited according to the basic concept of "Business Continuity", own funds are at the bottom of the liabilities side of the balance sheet.



Net Working Capital

Net Working Capital is the difference between a company's current assets and short-term liabilities. Under normal circumstances, this difference is expected to be positive. Net working capital is often used to analyze the ability of the business to pay its short term debts.

T-Type Balance Sheet

ABC TİCARET İŞLETMESİ
BALANCE SHEET
31.12.2019
(Million TL)

ASSETS		LIABILITIES
Current Assets		Short-term Liabilities

	Net İşletme Sermayesi }	Long-term Liabilities
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Non-current Assets		
		Shareholders' Equity

ASSETS TOTAL		LIABILITIES TOTAL



Characteristics of the Balance Sheet

According to the 1st Accounting System Application General Communiqué published by the Ministry of Finance on December 26, 1992:

- It is regulated according to the net value and liquidity principles.
- No offset can be made between balance sheet accounts.
- If an account amount in the "Other" group exceeds 20% of the group to which it belongs, this account is shown on the balance sheet under a separate heading.
- The balance sheets are prepared in comparison with the previous period.
- The balance sheet is supported and completed with thirty footnotes.