

EFR summary

Intermediate Accounting, FEB12007X
2024-2025



Lecture 1

Week 1

Details

Subject: Intermediate Accounting IBEB 2024-2025

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Intermediate accounting – IBEB – FA Lecture 1 – Intro & Recap lecture

Introduction and basic concepts

Types of financial statements

1. **Balance sheet:** snapshot of a firm's assets and liabilities at a given point in time
2. **Income statement:** statement on the firm's revenue and expenses over time
3. **Cash flow statement:** statement on how the cash account has changed between two dates
4. **Shareholders' equity statement**

Accrual-based accounting

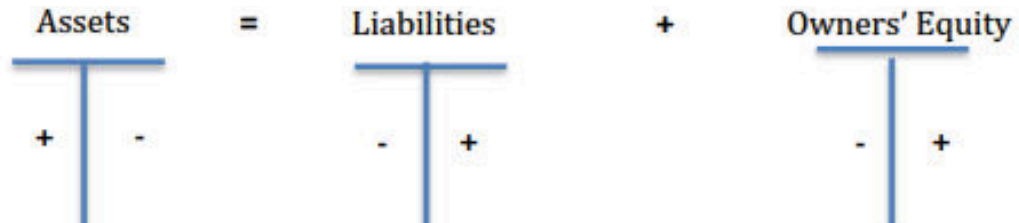
In the accrual basis of accounting, expenses follow revenues and are identified in the period that the economic activity occurs.

Accrual perspective: $\text{Earnings} = \text{Cash flow} + \text{accruals}$

1. **Accrual principle:** Revenue recognition and matching principle
2. **Deferrals**
 - Prepaid Expenses: expenses that have been paid by the company before they are consumed (e.g., prepaid insurance). These are assets
 - Unearned Revenues: cash that has been received before the company's obligations in the transaction have been fulfilled (e.g., payment in advance for a year-long gym membership). These are liabilities.
3. **Accruals**
 - Accrued Revenues: a product or service has been successfully delivered, but payment has not yet been received. These are assets
 - Accrued Expenses: resources that have been used but not yet paid for. These are liabilities

Debit and credit

Conventional accounting is done with T-accounts, where the left side is called debit and the right side is called credit.



Every debit must have a corresponding credit in another account, since all t-accounts must balance in the general ledger.

References – please update

Lehmann, N. (2025). FA Intro & Recap Lecture [PowerPoint slides]. Retrieved from:
<https://canvas.eur.nl/courses/47706/files/100851053?>