TOPIC 3

Interpreting Financial Statements

诠释财务报表

新闻视听 News in Media

Enron scandal is always incredible. What on earth has happened and how did it occur? This report will give you an answer. ㊀

名人名言 Wisdom

Financial statements are like fine perfume: to be sniffed but not swallowed.

——Abraham Briloff

微型案例 Mini Case

In early 2001, Enron appeared on the top of the world. The high-flying energy firm had a market capitalization of $60 billion, and its stock was trading at $80 a share. Wall Street analysts

㊀ http://www.tudou.com/programs/view/PrcdEDOGQnc frequently touted its innovation and management success, and most strongly recommended the stock. Less than a year later, Enron had declared bankruptcy, its stock was basically worthless, and investors had lost billions of dollars. The dramatic and sudden collapse left many wondering how so much value could be destroyed in such a short period of time (to be continued in Topic 4).

概　览 Overview

Our objective in this topic is to show how to interpret the contents and to understand the limitations of the following financial statements — balance sheet, income statement, statement of cash flows, and statement of retained earnings. Like a patient's medical report issued by a physician, the information in these statements can provide important information that helps us to better understand the firm's financial condition. We emphasize the need to understand the difference between the accounting net income reported on the firm's income statement and the actual net cash flow generated by the firm during that same period.

正文 Text

3.1 Basics of Annual Reports and Financial Statements

Knowing how to interpret **financial statements** is critically important to the stakeholders of the firm. Lenders carefully scrutinize a firm's statements to assess the likelihood that the firm can repay the principal and pay the interest when due over the life of a loan. Equity investors analyze financial statements to assess the long-term profitability of a firm. Suppliers use these statements to assess whether the company can fully pay its obligations on time. Customers are concerned with its continuing viability, both to supply new products and to maintain those already purchased. Employees may use their firm's financial statements to assess its future, knowing that their jobs depend on its immediate solvency, long-term debt-paying ability, and future long-term profitability. Employees are also concerned about whether the firm can meet its future pension obligations.

But we have left out perhaps one of the most important users of financial statements — the firm's management. Managers carefully assess data from these financial statements when making important investment, financing and working capital policy decisions. Data from financial statements may be used to determine incentives and rewards for a firm's managers. These managers may use the financial data in these statements to allocate capital investments within a firm's various segments or divisions. Divisional managers use financial statement data to implement changes to improve the performance of their respective divisions.

Financial statements are probably the most important source of information from which these various stakeholders (other than management) can assess a firm's financial health. But it should be intuitively clear that it is not easy to assess a firm's real financial status. The numbers shown on balance sheet generally represent the historical costs of assets. However, inventories may be spoiled, obsolete, or even missing; fixed assets such as machinery and buildings may have higher or lower values than their historical costs; and accounts receivable may be uncollectible. Also, some liabilities such as obligations to pay retirees' medical costs may not even show up on the balance sheet. Similarly, some costs reported on the income statement may be understated, as would be true if a plant with a useful life of 10 years were being depreciated over 40 years. When you examine a set of financial statements, you should keep in mind that a physical reality lies behind the numbers, and you should also realize that the translation from physical asset to "correct" numbers is far from precise.

3.1.1 Corporate Annual Reports

Of the various reports corporations issue to their stockholders, the **annual report** is probably the most important. Most public firms in the United States (US) prepare two annual reports. These include the annual report to the Securities and Exchange Commission (SEC) and the shareholder annual report. The annual report to the SEC provides both financial and non-financial information about a firm, including a comprehensive review of the company's business and a prospect of future operations. This report is much more comprehensive than the annual report to shareholders.

The shareholder annual report is the most widely read annual report. It contains financial and non-financial information that is important to the various users of financial statements discussed above. The information provided includes both aggregated financial information and sales and marketing information. The shareholder annual report typically includes a statement of corporate mission and strategy, an executive message, product information, a discussion of financial performance, comparative financial information, an audit report, and selected investor information. Both the SEC and shareholder annual reports contain the firm's financial statements, which are the focus of this topic.

Firms in the US prepare their financial statements according to **Generally Accepted Accounting Principles** (**GAAP**). GAAP provides the conventions, rules, and procedures that define how firms should maintain records and prepare financial reports. The **Financial Accounting Standards Board** (**FASB**), the US accounting profession's rule-making organization, provides the guidelines upon which these rules and procedures are based. The FASB also sets forth the conceptual framework for understanding the information provided by financial statements. The qualitative characteristics of accounting information include relevance, timeliness, reliability, consistency, and comparability.

3.1.2 Overview of Financial Statements

Public corporations in the US and many other countries are required to prepare and disclose the following financial statements to the public on a periodic basis:

- balance sheet;
- income statement;
- statement of cash flows;
- statement of retained earnings.

Taken together, these statements give an accounting picture of the firm's operations and financial position. The quantitative and verbal materials are equally important. The financial statements report what has actually happened to assets, earnings, and dividends over the past few years, whereas the verbal statements attempt to explain why things turned out the way they did. The information contained in an annual report is used by investors to help form expectations about future earnings and dividends.

Firms typically prepare these statements quarterly, but many analysts and users of financial statements concentrate on a firm's fiscal year-end statements. Firms provide the annual statements in both the annual report to the SEC and the shareholder annual report.

New US legislation requires that annual statements be filed within 60 days of the company's year-end and quarterly statements within 35 days of the close of the quarter. Only three quarterly reports are required, as the firm's year-end annual report replaces the fourth quarterly report.

In the following sections, we look at these financial statements by using those for SunFood Products.

3.2 Balance Sheet

A **balance sheet** is an accountant's snapshot of the firm's accounting value on a particular date, as though the firm stood momentarily. The balance sheet reports a firm's assets, liabilities, and owners' (stockholders') equity as of a given date, usually at the end of a reporting period. A firm's assets represent its investments (what it owns), and the liabilities (what it owes), while owners' equity represents how the firm financed these investments (assets).

The accounting definition that underlies the balance sheet and describes the balance is

$$\text{Assets} = \text{Liabilities} + \text{Owners' equity}$$

Table 3-1 shows the balance sheets for SunFood Products at the fiscal year-end of 2001 and 2002. In the following sections, we briefly discuss the major areas within a balance sheet with SunFood

Products' balance sheet.

Table 3-1 Balance Sheet of the SunFood Products: December 31

(Millions of Dollars)

ASSET	2002	2001	LIABILITIES AND EQUITY	2002	2001
Cash and marketable securities	$ 10	$ 80	Accounts payable	$ 60	$ 30
Accounts receivables	375	315	Notes payable	110	60
Inventories	615	415	Accrues	140	130
Total current assets	$ 1000	$ 810	Total current liabilities	$ 310	$ 220
Property, plant and equipment	1100	960	Long-term bonds	754	580
Less accumulated depreciation	100	90	Total liabilities	$ 1064	$ 800
Net property, plant and equipment	1 000	870	Preferred stock(400 000 shares)	40	40
			Common stock(50 000 000 shares)	130	130
			Retained earnings	766	710
			Total common equity	$ 896	$ 840
Total assets	$ 2 000	$ 1 680	Total liabilities and equity	$ 2 000	$ 1 680

Let's look at the asset side of SunFood Products' balance sheet. The assets, which are the "things" the company owns, are listed in the order of decreasing liquidity, or length of time it typically takes to convert them to cash at **fair market values**, beginning with the firm's current assets. SunFood Products' current assets include its cash and cash equivalents, accounts receivables, inventories, and other current assets such as prepaid expenses. Current assets are those assets in the form of cash or that are expected to be converted into cash within 1 year. Cash and **marketable securities** include cash and other negotiable instruments such as checks and money orders that the bank does not have the legal right to demand notice before withdrawal. The accounts receivables represent those credit sales that the firm has not yet collected. They are reported on a net basis, which excludes credit sales that are overdue and unlikely to be ultimately collected. Inventories represent those items that remain unsold as of the balance sheet reporting date, but are likely to be sold within the next year. Other current assets such as prepaid expenses include payments made for benefits to be received within 1 year, such as payments for rent or insurance premiums.

The next section of SunFood Products' balance sheet contains its property, plant, and equipment (PPE). Rather than treat the entire purchase price of PPE as a capital expense in the purchase year, accountants "spread" the purchase cost over the asset's useful life. The amount they charge each year is called the **depreciation** expense. SunFood Products reports PPE on a net basis by subtracting the **accumulated depreciation** and amortization that has been taken as an expense on the income statement.

Intangible assets, which have no physical substance, include items such as patents, copyrights, and trademarks.

The right side lists the claims that various groups have against the company's value, listed in the order in which they must be paid. The liability section of the balance sheet consists of current liabilities and long-term liabilities. Current liabilities include a firm's short-term maturing obligations. SunFood Products' current liabilities include its accounts payable, note payable, accrued expenses. SunFood Products expects to pay these liabilities within 1 year.

The long-term liabilities for SunFood Products include the firm's long-term debt, other long-term liabilities, and deferred taxes. The long-term debt includes only the debt due for longer than 1 year.

The stockholders' equity section lists preferred stock, common stock and capital surplus and accumulated retained earnings. Preferred stock is a **hybrid**, or a cross between stock and debt. In the event of bankruptcy, preferred stock ranks below debt but above common stock. Also, the preferred dividend is fixed, so preferred stockholders do not benefits if the company's earnings grow. When a company sells shares of stock, the proceeds are recorded in the common stock account. Accumulated retained earnings represent the firm's cumulative net income that has been reinvested back into the firm and not distributed to shareholders as cash dividends. Treasury stock represents shares of common stock that SunFood Products repurchased from shareholders.

Historical Cost versus Current Market Value

The values of most items reported on a firm's balance sheet are reported in terms of their accounting **book values**, which are based on **historical cost** or original value. The historical cost of an asset is the price paid when the firm acquires the asset. The historical cost of a liability is the amount involved when the firm incurs the liability.

Financial managers and analysts recognize that these historical values may differ substantially from their **current market values**. This is especially true for real estate and stockholders' equity. The reported value may understate the true market value of these assets. This understatement problem is avoided with the long-term investments reported on the balance sheet. Long-term investments are reported at their fair market value.

The total value of stockholders' equity reported on a firm's balance sheet might also differ substantially from the current market value of the firm's equity. The market value of a firm's equity is equal to the number of shares of common stock outstanding times the price per share, while the amount reported on the firm's balance sheet is basically the cumulative amount the firm raised when issuing common stock and any reinvested net income (retained earnings).

3.3 Income Statement

An **income statement**, also called a statement of earnings or a profit and loss statement, summarizes the total revenues earned and the total expenses incurred to generate these revenues over a specified period of time. The difference between total revenues and total expenses during a given period is referred to as the firm's **net income** for that period, also commonly referred to as the firm's net earnings or profits. The accounting definition of income is

$$\text{Revenue} - \text{Expenses} = \text{Income}$$

If the balance sheet is like a snapshot, the income statement is like a video recording of the people did between two snapshots.

An income statement is usually divided into two sections: operating and non-operating. Firms report the revenues and expenses that correspond to day-to-day operations in the operating section. Subtracting operating expenses from operating income or revenue yields the **operating income (orloss)** for the firm. This is an important profitability measure of a firm's business operations. The non-operating section includes income and expense items and gains and losses that are routine to most types of businesses, but viewed as peripheral to day-to-day business operations. Non-operating items include dividend and interest income earned, interest expense, and gains or losses associated with the disposal of assets or the elimination of liabilities. Table 3-2 shows the income statement for SunFood Products for the fiscal year 2002 and 2001.

Analysts and investors pay close attention to the **earnings per share** reported on a firm's income statement. The presentation of earnings per share figures depends on whether the firm has a simple or complex capital structure. A **simple capital structure** occurs when a firm is financed only with common stock and other non-convertible senior securities. That is, the firm's financing structure does not contain any potentially dilutive securities. This firm will report basic earnings per share, which is calculated by dividing the net income less any preferred dividends paid out by the weighted average number of outstanding shares of common stock.

Firms with **complex capital structures** have potentially dilutive securities such as convertible securities, options, and warrants that could potentially dilute **earnings per share** (**EPS**). These firms must report both basic and **diluted earnings** per share figures. The diluted earnings figure per share provides a more conservative earnings estimate by assuming that the total shares of common stock in the denominator include all shares of common stock plus future potential shares from the likely future conversion of outstanding convertible securities, stock options, and warrants.

Table 3-2 SunFood Products: Statement of Retained Earnings for Year Ending, December 31, 2002 (Millions of Dollars)

	2002	2001
Net sales	$ 3 000	$ 2 850.0
Operating costs excluding depreciation and amortization	2 616.2	2 497.0
Earnings before interest, taxes, depreciation, and amortization(EBITDA)	$ 383.8	$ 353.0
Depreciation	100	90.0
Amortization	0.0	0.0
Depreciation and amortization	$ 100.0	$ 90.0
Earnings before interest and taxes(EBIT, or operating income)	283.8	263.0
Less interest	$ 88.0	$ 60.0
Earnings before taxes(EBT)	$ 195.8	$ 203.0
Taxes	78.3	81.2
Net income before preferred dividends	$ 117.5	$ 121.8
Preferred dividends	4.0	4.0
Net income available to common shareholders	$ 113.5	$ 117.8
Common dividends	57.5	53.0
Addition to retained earnings	56.0	64.8

The calculation of diluted EPS includes potential future common shares from the likely future conversion of outstanding stock options and warrants in the denominator of the EPS calculation.

Net Income versus Cash Flow

The net income reported on a firm's income statement typically does not equal the actual net **cash flow** generated by that firm over the particular time period. Net income and actual net cash flow may differ because accountants use an accrual accounting process for recognizing revenues and expenses, and because of the treatment of depreciation and taxes. We discuss each of these items in the following sections.

Accrual accounting

Revenue is recognized in an income statement when the earnings process is virtually completed and the exchange of goods or services has occurred. Accountants refer to recognizing the timing of revenues and expenses in this manner as **accrual accounting**. Under an accrual accounting process, for a given reporting period, the cash receipts from sales will not equal the revenue reported, nor will the cash disbursed equal the expenses recognized. Therefore, the unrealized appreciation in owning property will not be recognized as income. This provides a device for smoothing income by selling appreciated property at convenient times. For example, if the firm owns a tree farm that has doubled in value, then, in a year when its earnings from other business are down, it can raise overall earnings by selling some trees. The matching principle of GAAP dictates that revenues should be matched with expenses. Thus, income is reported when it is earned, or accrued, even though no cash flow has necessarily occurred.

Depreciation

An income statement usually includes several non-cash expenses of which the most common include **depreciation** and **amortization.** When a firm makes capital expenditures for long-term fixed assets, such as for plant and equipment, it normally cannot include the entire expense for these purchases during the year in which the capital expenditures are incurred.

Taxes

Many differences exist between treatments of items under tax and book accounting. These differences are reflected in what is shown on the financial statements and what is paid to the Internal Revenue Service (IRS). One example is the different depreciation methods allowed for tax purposes as opposed to book (financial statement) purposes:

The choice of depreciation methods affects both the income statement and balance sheet, especially for capital intensive companies. When compared to accelerated methods, straight-line depreciation has lower depreciation expense in the early years of asset life, which tends to lead to a higher tax expense but higher net income. On the balance sheet, both assets and equity are higher under straight-line depreciation versus accelerated methods during the early years of an asset. Toward the end of an asset's life, these relationships reverse.

3.4 Statement of Retained Earnings

A firm's **statement of retained earnings**, also known as its statement of changes in shareholders' equity, provides additional information on the composition of the owners' equity accounts. Specifically, for the particular reporting period, it shows:

- the retained earnings balance at the start of the period;
- how much the firm earned (net income);
- how much dividends the firm paid;
- how much net income was reinvested back into the firm (retained earnings);

- any repurchases of the firm's stock;
- any new issues of the firm's stock;
- the retained earnings balance at the close of the period.

Table 3-3 SunFood Products: Statement of Retained Earnings for Year Ending, December 31, 2002 (Millions of Dollars)

Balances of retained earnings, December 31, 2001	710.0
Add: Net income, 2002	113.5
Less: Dividends to common stockholders	(57.5)
Balance of retained earnings, December 31, 2002	766.0

3.5 Statement of Cash Flow

A firm's **statement of cash flows** summarizes changes in its cash position over a specified period of time. A firm's cash position may change during a year as it collects revenues, pays operating expenses, and generates income (or loss). Cash also decreases as the firm buys fixed assets, increases inventories, finances additional accounts receivable, reduces outstanding debt obligations, pays dividends, or buys back shares of its stock. Its cash position will improve as it generates net income, finances additional accounts payable, sells assets and investments, and issues long-term debt and stock. The statement of cash flows helps us understand how these various activities change the firm's cash position during the year.

The statement of cash flows consists of three sections: (1) operating cash flows, (2) investing cash flows, and (3) financing cash flows. Activities in each area that bring in cash represent **sources of cash** while activities that involve spending cash are **uses of cash**.

3.5.1 Operating Cash Flows

Cash flow from operations (CFO) reports the cash generated from sales and the cash used in the production process. Such items flow through the firm's income statement and working capital items. Under US GAAP, typical operating activities include cash collections from sales, cash operating expenses, cash interest expense, and cash tax payments.

There are two ways to calculate cash flow from operations: (1) the direct method and (2) the indirect method. Both methods result in the same cash flow from operations.

Direct method

The direct method, also called the top-down approach, derives operating cash flows by taking each item from the income statement and converting it to its cash equivalent by adding or subtracting the changes in the corresponding balance sheet accounts.

Indirect method

The indirect method, also called the bottom-up approach, involves several steps. This approach begins with the firm's net earnings (income) for the period, and then subtracts gains or adds losses that result from financing or investment cash flows. Next, the approach adds back any non-cash charges such as depreciation and amortization it subtracted to arrive at net income. Net income is further adjusted by accounting for any cash that the firm used to fund increases in current assets or decreases in current liabilities. As we will soon see, SunFood Products uses the indirect method to calculate cash flow from operations.

3.5.2 Investing Cash Flows

Cash flow from investing (CFI) reports the cash used to acquire and dispose of non-cash assets. Firms acquire such assets with the expectation of generating income. Such items are found in the non-current portion of the asset section of the balance sheet. Investing activities often include purchases of property, plant, and equipment, investments in joint ventures and affiliates, payments for businesses acquired, proceeds from sales of assets, and investments in or sales of marketable securities.

3.5.3 Financing Cash Flows

Cash flows from financing (CFF) reports capital structure transactions. These items are located in the long-term capital section of the balance sheet and the statement of retained earnings and involve activities related to contributing, withdrawing, and servicing of funds to support the firm's business activities. Financing activities include new debt issuances, debt repayments or retirements, stock sales and repurchases, and cash dividend payments.

The first section provides details on the net cash provided from operations. To arrive at its net cash provided by operations, SunFood Products adds back to its net income the depreciation and amortization expense for fiscal year 2002. Remember that depreciation and amortization are non-cash expenses that SunFood Products subtracted on the income statement to determine the net income. Thus, to convert net income to actual cash flow requires adding back these non-cash expenses.

SunFood Products makes further adjustments to account for the accrual accounting process that causes net income to deviate from cash flows that we discussed previously. Specifically, increases (decreases) in current asset accounts such as receivables and inventories are subtracted from (added to) net income, and increases (decreases) in current liability accounts such as accounts payable and taxes payable are added to (subtracted from) net income. Analysts pay close attention to the operating cash flow section of the cash flow statement because large, positive cash flows provided by operations are an initial sign of good health and liquidity for a firm.

Table 3-4 SunFood Products: Statement of Cash Flows for Fiscal Year 2002
(Millions of Dollars)

Operating Activities	
Net income before preferred dividends	117.5
Additions (Sources of Cash)	
Depreciation and amortization ①	100.0
Increase in accounts payable	30.0
Increase in accruals	10.0
Subtractions (Uses of Cash)	
Increase in accounts receivable	(60.0)
Increase in inventories	(200.0)
Net cash provided by operating activities	(2.5)
Long-term Investing Activities	
Cash used to acquire fixed assets ②	(230.0)
Financing Activities	
Increase in notes payable	50.0
Increase in bonds	174.0
Payment of common and preferred dividends	(61.5)
Net cash provided by financing activities	162.5
Net decrease in cash and marketable securities	(70.0)
Cash and securities at the beginning of year	80.0
Cash and securities at the end of year	10.0

① Depreciation and amortization are non-cash expenses that were deducted when calculating net income. They must be added back to show the actual cash flow from operations.

② The net increase in fixed assets is $130 million; however, this net amount is after deducting the year's depreciation expenses. Depreciation expense must be added back to find the actual expenditures on fixed assets. From the company's income statement, we see that the 2002 depreciation expense is $100 million; thus, expenditures on fixed assets were actually $230 million.

The second section details SunFood Products' cash flow from investing activities, which includes investments in or sales of fixed assets.

The third section provides details about SunFood Products' financing activities, which includes raising cash by selling short-term investments or by issuing short-term debt, long-term debt, or stock.

Also because both dividends paid and cash used to buy back outstanding stock or bonds reduce the company's cash, such transactions are included here.

Accounting texts explains how to prepare the statement of cash flows, but the statement is used to help answer questions such as: Is the firm generating enough cash to purchase the additional assets required for growth? Is the firm generating any extra cash that can be used to repay debt or invest in new products? Such information is useful both for managers and investors, so the statement of cash flow is an important part of the annual report.

核心词汇 Core Words and Expressions

financial statement 财务报表
profitability 盈利能力
viability 生存能力
solvency 偿付能力
corporate annual reports 公司年报
Securities and Exchange Commission (SEC) （美国）证券交易委员会
Generally Accepted Accounting Principles (GAAP) 一般公认会计原则
Financial Accounting Standards Board (FASB) （美国）财务会计准则委员会
balance sheet 资产负债表
income statement 利润表
statement of cash flows 现金流量表
statement of retained earnings 留存收益表
fair market value 公允市场价值
marketable securities 有价证券
check 支票
money order 拨款单，汇款单，汇票
withdrawal 提款
accounts receivable 应收账款
credit sale 赊销
inventory 存货
property, plant, and equipment (PPE) 土地、厂房与设备
depreciation 折旧
accumulated depreciation 累计折旧
liability 负债
current liability 流动负债
long-term liability 长期负债
accounts payable 应付账款
note payable 应付票据
accrued expense 应计费用
deferred tax 递延税款
preferred stock 优先股
common stock 普通股
capital surplus 资本盈余
accumulated retained earnings 累计留存收益
hybrid 混合金融工具
treasury stock 库藏股
book value 账面价值
historical cost 历史成本
current market value 现行市场价值
real estate 房地产(有时也用 real property，或者就用 property 表示)
outstanding （证券等）发行在外的
a profit and loss statement 利润表

net income　净利润
operating income (loss)　经营收益（损失）
earnings per share　每股收益（盈余）
simple capital structure　简单资本结构
dilutive　（公司股票）冲减每股收益的
basic earnings per share　基本每股收益
complex capital structures　复杂资本结构
diluted earnings per share　稀释的每股收益
convertible securities　可转换证券
warrant　认股权证
accrual accounting　应计制会计
amortization　摊销
Internal Revenue Service (IRS)　美国国内税务署
accelerated methods　加速折旧法
straight-line depreciation　直线折旧法
statement of changes in shareholders' equity　股东权益变动表
source of cash　现金来源
use of cash　现金运用
operating cash flows　经营现金流
cash flow from operations　经营活动现金流
direct method　直接法
indirect method　间接法
bottom-up approach　倒推法
investing cash flows　投资现金流
cash flow from investing　投资活动现金流
joint venture　合资企业
affiliate　分支机构
financing cash flows　筹资现金流
cash flows from financing　筹资活动现金流

即时问答
Quick Quiz

1. Give four examples of important assets, liabilities, or transactions which may not be shown on the company's books.

2. Describe the basic contents, including the key financial statements, of the stockholders' reports of publicly owned corporations.

3. What are Generally Accepted Accounting Principles (GAAP) and who authorizes them? What role does the Securities and Exchange Commission (SEC) play in the financial reporting activities of U.S. corporations?

4. What basic information is contained in:
   (a) the income statement
   (b) the balance sheet
   (c) the statement of retained earnings?

   Briefly describe each.

5. What is a source of cash? Give three examples.

6. Why is accounting income not the same as cash flow? Give two reasons.

思考与探索
Thinking and Exploration

In the 2009 Annual Report of Berkshire Hathaway, Inc., Warren E. Buffett, chairman of the board, said to shareholders as the follows.

Our gain in net worth during 2009 was $21.8 billion, which increased the per-share book value of both our Class A and Class B stock by 19.8%. Over the last 45 years (that is, since present management took over) book value has grown from $19 to $84,487, a rate of 20.3% compounded annually.

Berkshire's recent acquisition of Burlington Northern Santa Fe (BNSF) has added at least 65,000 shareholders to the 500,000 or so already on our books. It's important to Charlie Munger, my long-time partner, and me that all of our owners understand Berkshire's operations, goals, limitations and culture. In each annual report, consequently, we restate the economic principles that guide us. … I urge all of you – but particularly our new shareholders – to read them. Berkshire has adhered to these principles for decades and will continue to do so long after I'm gone.

Please find the 2009 Annual Report of Berkshire Hathaway and discuss the following questions:

1. What are the business activities of Berkshire Hathaway?
2. Explain the corporate performance of Berkshire Hathaway.

汉译英
Translation

金玉其外，败絮其中。帕玛拉特公司是意大利最大、欧洲第四大的食品企业，在意大利乳制品市场的占有率达 50%。然而，突然有人发现帕玛拉特自称的 40 亿欧元的流动资金并不存在，同时，800 万欧元的股东权益也蒸发了。帕玛拉特丑闻是欧洲历史上最大的破产事件，其损失大约是意大利 GNP 的 1.5%，该比例比安然和世通合计对于美国 GNP 的还要大。

知识扩展
More Knowledge

我国上市公司信息披露的指定媒体

在我国，投资者和社会公众可以通过指定报刊和网站找到自己需要的信息。我国上市公司披露信息的平面媒体主要是中国证监会指定的一些专业报刊，如《中国证券报》、《上海证券报》、《证券时报》、《证券日报》等证券类报刊。

从 1999 年起，上市公司的定期报告全文在上海证券交易所网站（www.sse.com.cn）、深圳证

券交易所网站（www.szse.cn）和巨潮资讯网（www.cninfo.com.cn）发布。上市公司的临时报告也可以在这三个网站找到。

我国上市公司信息披露的要求

上市公司应当披露的信息包括首次披露——招股说明书、上市公告书、定期报告（年度报告、中期报告、季度报告）和临时报告。

具体而言，上市公司的信息披露主要分为定期报告和临时报告两类。定期报告包括年度报告和中期报告。中期报告分为前半个会计年度的半年度报告和季度报告。季度报告分为一季度（春季度）报告和三季度（秋季度）报告。临时报告包括的内容和形式较为广泛，较为常见的有股东大会决议公告、董事会决议公告、监事会决议公告。其他重大事项也会由一些中介机构同时发布信息，如回访报告、评估报告和审计报告、律师见证报告，等等。

上市公司的信息披露在内容和格式上有一系列的要求。1993 年 6 月 10 日，中国证监会《公开发行股票公司信息披露实施细则（试行）》出台，这是涉及上市公司信息披露内容与格式的第一个部门规章。此后，有关招股说明书、上市公告书、年度报告、中期报告等文件的内容与格式的规定相继发布。相关的规章名称中通常有“公开发行证券公司信息披露内容与格式准则第×××号”字样。发行证券公司包括上市公司、暂停上市公司和拟上市公司。

交易所对上市公司定期报告实行事后审核，对临时报告实行事前审核。

关于我国发行证券公司的监管信息可以在中国证券监督管理委员会（中国证监会）网站上找到，网址是 http://www.csrc.gov.cn。

GAAP——一般公认会计原则

一般公认会计原则是被会计界普遍接受并有相当权威支持的，用以指导和规范企业财务会计行为的各项原则的总称。它大致包括三个层次：（1）会计核算的基本前提和会计原则，即会计的基本原则。指会计实务中普遍运用的基本指导思想和约束条件的概括，是体现会计规律、基本特征的原理性规范，如会计主体、持续经营、会计分期、货币计量、权责发生制等；（2）对会计实际问题的方法指导和具体标准或准绳，通常由一系列只适应于某些工作环节或某一类问题的条文、示例构成，如财务会计要素的确认、计量与报告原则；（3）会计处理的方法程序，即具体的操作规程和技术要领，属于技术规范的范畴，通常具体说明某一步骤或某种具体操作方法，因而很少有自由选择的余地，如记账规则、改错规则等。

一般公认会计原则既可以由官方机构制定，也可以由民间机构制定。在美国，一般公认会计原则指那些受到美国注册会计师协会、财务会计准则委员会和证券交易委员会等权威团体支持认可的会计原则，主要包括财务会计准则委员会制定的《财务会计准则公告》（包括以前的会计程序委员会制定和发布的《会计原则意见书》）和一些公认的会计惯例。在英国，一般公认会计原则是指由英格兰和威尔士特许会计师协会等六个会计职业团体联合制定发布的《标准会计惯例公告》。日本的一般公认会计原则主要是指规范体系。我国企业基本会计准则的主要内容与

公认的其他两个层次相当的内容则见于企业会计制度、具体会计准则及其他有关规定中。

FASB——美国财务会计准则委员会

美国财务会计准则委员会（Financial Accounting Standards Board，FASB） 成立于 1973 年，目的是制定和监督美国的会计准则。http://www.fasb.org 是美国财务会计准则委员会的官方网站，你可以从中获取 FASB 的最新资讯，还可以从这里下载其公布的最新财务会计准则。

IASB——国际会计准则理事会

国际会计准则理事会（International Accounting Standards Board，IASB） 前身是国际会计准则委员会（International Accounting Standards Committee，IASC），IASC 是由来自澳大利亚、加拿大、法国、德国、日本、墨西哥、荷兰、英国和爱尔兰以及美国的会计职业团体于 1973 年发起成立的。IASC 的目标是制定和发布国际会计准则，促进国际会计的协调。IASC 的日常工作由秘书处负责，秘书处设在伦敦，由秘书长领导。作为国际民间组织，其成员也大多为民间会计团体。从 1983 年起，作为国际会计师联合会（International Federation of Accountants，IFAC）成员的所有会计职业团体均已成为 IASC 的成员。中国于 1998 年 5 月正式加入 IASC 和 IFAC。到 2000 年，IASC 已经拥有来自 104 个国家的 143 个成员。

2001 年，国际会计准则委员会进行了战略性改组，改组后新的国际会计准则委员会在机构框架的设置上，全面借鉴美国会计准则制定机构的组织架构，分别设置提名委员会、管理委员会和新的国际会计准则理事会（IASB），其中国际会计准则理事会是制定会计准则的核心部门，全权负责国际财务报告准则及其他相关文件的制定。

国际会计准则委员会的官方网站是 http://www.iasb.org，其主要介绍 IASB 召开的会议、新闻、工作日历以及最近的热点问题等。从该网站可以得到最新发布的国际会计准则。

相关网址
Useful Websites

1. 我国上市公司财务报告信息可以到以下网站查询：

   上海证券交易所 www.sse.com.cn

   深圳证券交易所 www.szse.cn

   巨潮资讯网 www.cninfo.com.cn

   雅虎财经 http://cn.finance.yahoo.com

2. 在 http://www.sec.gov 可以查到美国证券交易委员会（Securities and Exchange Commission，SEC）的相关文件。