



# Finance & Wealth Management

# Course Plan

Course n°	Date	Time	Duration (H)	Section content
1	2019-10-14	11h30-14h45	2,5	<b>Introduction to Finance and Accounting.</b> What is accounting ? What is the purpose of financial analysis ? What are the main financial statements and there use ?
2	2019-10-31	17h30-20h	2,5	<b>Analysing Financial Performance.</b> Understanding income statement in detail Horizontal and vertical analysis Financial ratio analysis
3	2019-11-05	11h30-14h45	2,5	<b>Equity Valuations, and the Cost of Capital.</b> Why an accounting value isn't a transaction value Equity valuations methods Cost of Capital : theory and practice
4	2019-11-06	17h30-20h	2,5	<b>Brand Equity, Brand Value, and various measurements of performance.</b> What is brand equity ? How to value a brand ? Brands KPI
5	2019-11-25	11h30-14h45	2,5	<b>Wealth management : Profession, Industry and Individuals.</b> A special banker ? Industry facts & figures FINANCE COACHING by group
6	2019-11-28	8h30-11h	2,5	<b>Wealth Management Products (Creation, Preservation and Transfer of Wealth).</b> Financial instruments products & markets Preservation and transfer technics
7	2019-11-28	11h30-13h45	2,5	<b>Wealth Management: Managing Currency Risks.</b> Foreign exchange market : prices & quotations Transactionnal currency risk Currency forward pricing
8	2019-11-28	14h45-17h15	2,5	Do we live in a world where wealth will concentrate more and more ? Facts & figures from Piketty's "Capital in the twenty-first century" Low interest rates : "Euthanasia of the Rentier" ? FINANCIAL WRAP UP
				Assessment period



# Finance & Wealth Management

Course n°1

Introduction to Finance and Accounting.

What is accounting ?

What is the purpose of financial analysis ?

What are the main financial statements and their use ?

# Accounting definition

- Accounting is a system of organization of financial data of a company, or in other words a practical discipline allowing to provide in a continuous way and in real time a statement of the financial situation of the company.
- Accounting is a very broad concept that extends from the receipt of accounting documents (and their processing : classification, accounting, ie accounting records) to the production of financial statements. It is also the bedrock of all management tools, real tools for decision support.

# General Accounting : a financial information tool

- The primary function of accounting (and its completion) is to lead to the presentation of summary documents called **annual accounts**, which consist of a **balance sheet**, an **income statement** and an appendix. Without waiting for a particular deadline (closing of the financial year for example), the accounting allows to produce temporary statements generally called intermediate accounting situations.
- These states "feed" the partners of the company (associates, bankers, employees) and accounting plays a major role of information.
- Accounting allows to determine the basis (and thus the amount) of many taxes that the company is liable to pay such as: the Value Added Tax (VAT), the Corporate Tax (IS).
- Finally, at the national level, the accounts of all companies contribute to the compilation of statistics.

# General Accounting, a management tool

- General accounting is not only the reflection of past information, it is also the basis of another discipline : « **management accounting** », more generally called **financial analysis**. This technique is an extension of the general accounting and is a real analytical tool and an indisputable tool for decision support. It can have different purposes:
  - Financial: analysis of intermediate management balances, financing tables ;
  - Forecasting : income statement, projected financing plan, investment plans;
  - Managing : costing and cost analysis (cost accounting), dashboards

# Accounting is not a science !

- It is a common norm
- Some differences between countries
- French accounting norm is called « Plan Comptable Général »
- US accounting standards are called US GAAPs : Generally Accepted Accounting Principles, witch speaks by itself

2017  
2018

# Plan comptable général

*Liste intégrale des comptes*

**Autorisé  
aux examens  
et concours**

**Conforme** au règlement 2014-03  
relatif au PCG et aux modifications  
apportées par les règlements  
ANC 2015-05 et 2015-06

1 COMPTES DE CAPITAUX

2 COMPTES D'IMMOBILISATIONS

3 COMPTES DE STOCKS ET EN-COURS

4 COMPTES DE TIERS

5 COMPTES FINANCIERS

6 COMPTES DE CHARGES

7 COMPTES DE PRODUITS

8 COMPTES SPÉCIAUX

DUNOD

# French PCG

# What's inside ?

COMPTES DE BILAN					COMPTES DE RESULTAT		COMPTES SPECIAUX
CLASSE 1	CLASSE 2	CLASSE 3	CLASSE 4	CLASSE 5	CLASSE 6	CLASSE 7	CLASSE 8
Comptes de capitaux	Comptes d'immobilisations	Comptes de stocks et en-cours	Comptes de tiers	Comptes financiers	Comptes de charges	Comptes de produits	
Capital et réserves 10.	Immobilisations incorporelles 20.		Fournisseurs et comptes rattachés	Valeurs mobilières de placement 50.	Achats 603. Variations des stocks 60.	Ventes de produits fabriqués, prestations de services, marchandises 70.	Hors classes 1 à 7
Report à nouveau 11.	Immobilisations corporelles 21.	Matières premières (et fournitures) 31.	Clients et comptes rattachés 41.	Banques, établissements financiers et assimilés 51.	Services extérieurs 61.	Production stockée (ou déstockage) 71.	
Résultat de l'exercice 12.	Immobilisations mises en concession 22.	Autres approvisionnements 32.	Personnel et comptes rattachés 42.	Instruments de trésorerie 52.	Autres services extérieurs 62.	Production immobilisée 72.	
Subventions d'investissement 13.	Immobilisations en cours 23.	En-cours de production de biens 33.	Sécurité sociale et autres organismes sociaux 43.	Caisse 53.	Impôts, taxes et versements assimilés 63.		
Provisions réglementées 14.		En-cours de production de services 34.	État et autres collectivités publiques 44.	Régies d'avances et accreditifs 54.	Charges de personnel 64.	Subventions d'exploitation 74.	
Provisions 15.	Parts dans des entreprises liées et créances sur des entreprises liées 25.	Stocks de produits 35.	Groupes et associées 45.		Autres charges de gestion courante 65.	Autres produits de gestion courante 75.	
Emprunts et dettes assimilées 16.	Participation et créances rattachées à des participations 26.		Débiteurs divers et créiteurs divers 46.		Charges financières 66.	Produits financiers 76.	
Dettes rattachées à des participations 17.	Autres immobilisations financières 27.	Stocks de marchandises 37.	Comptes transitoires ou d'attente 47.		Charges exceptionnelles 67.	Produits exceptionnels 77.	
Comptes de liaison des établissements et sociétés en participation 18.	Amortissements des immobilisations 28.		Comptes de régularisation 48.	Virements internes 58.	Dotations aux amortissements et provisions 68.	Reprises sur amortissements et provisions 78.	
	Dépréciations des immobilisations 29.	Dépréciations des stocks et en-cours 39.	Dépréciations des comptes de tiers 49.	Dépréciations des comptes financiers 59.	Participation des salariés, impôts sur les bénéfices et assimilés 69.	Transferts de charges 79.	

# Definition and objectives of financial analysis

- Definition: financial analysis is the study of the activity, the profitability and the financial structure of a company. Financial analysis can be done either a posteriori from historical data and present, or a priori, from forecasts.
- Financial analysis raises questions to help make decisions :
- What is the value of the business?
- What is the company's capacity to create wealth ?
- Is the company profitable ?
- Is its financial structure balanced ?
- Is its strategy adapted to its needs and resources ?
- Is the company competitive ?
- What are the risks?

# Income Statement

- An **income statement** or **profit and loss account** (also referred to as a *profit and loss statement* (P&L), *statement of profit or loss*, *revenue statement*, *statement of financial performance*, *earnings statement*, *statement of earnings*, *operating statement*, or *statement of operations*) is one of the financial statements of a company and shows the company's revenues and expenses during a particular period.
- It indicates how the **revenues** (also known as the “*top line*”) are transformed into the **net income** or net profit (the result after all revenues and expenses have been accounted for). The purpose of the income statement is to show managers and investors whether the company made money (profit) or lost money (loss) during the period being reported.
- An income statement represents a period of time (as does the cash flow statement). This contrasts with the balance sheet, which represents a single moment in time.

Source : Wikipedia

# Example of Income Statement (1)

<b>Jazz Music Shop, Inc.</b>		
<b>Income Statement</b>		
<b>For the Year Ended December 31, 2015</b>		
<b>Revenues</b>		
Merchandise Sales	\$ 5,000.00	
Music Lesson Income	<u>1,400.00</u>	
Total Revenues:		\$ 6,400.00
<b>Expenses</b>		
Salaries	500	
Rent expense	100	
Depreciation expense	234	
Utilities expense	950	
Supplies expense	<u>31</u>	
Total Expenses:		<u>1,815.00</u>
<b>Net Income</b>		<u><u>\$ 4,585.00</u></u>

# Exemple of Income Statement (2)

<b>Income Statement</b> <small>All numbers in thousands</small>	<b>Microsoft</b>	<b>Walmart</b>
<b>Revenue</b>	6/30/2018	1/31/2018
Total Revenue	110,360,000	500,343,000
Cost of Revenue	38,353,000	373,396,000
Gross Profit	72,007,000	126,947,000
<b>Operating Expenses</b>		
Research Development	14,726,000	-
Selling General and Administrative	22,223,000	104,698,000
Non Recurring	-	-
Others	-	-
Total Operating Expenses	75,302,000	478,094,000
Operating Income or Loss	35,058,000	22,249,000
<b>Income from Continuing Operations</b>		
Total Other Income/Expenses Net	1,416,000	-7,126,000
Earnings Before Interest and Taxes	35,058,000	22,249,000
Interest Expense	-2,733,000	-2,330,000
Income Before Tax	36,474,000	15,123,000
Income Tax Expense	19,903,000	4,600,000
Minority Interest	-	2,953,000
<b>Net Income From Continuing Ops</b>	<b>16,571,000</b>	<b>10,523,000</b>
<b>Non-recurring Events</b>		
Discontinued Operations	-	-
Extraordinary Items	-	-
Effect Of Accounting Changes	-	-
Other Items	-	-
<b>Net Income</b>		
Net Income	16,571,000	9,862,000
Preferred Stock And Other Adjustments	-	-
<b>Net Income Applicable To Common Shares</b>	<b>16,571,000</b>	<b>9,862,000</b>

Source : <https://www.investopedia.com/terms/i/incomestatement.asp>

# Exemple of Income Statement (3)

€ millions	Notes	2018	2017 <sup>(1)</sup>	2016 <sup>(1)</sup>
<b>Net sales</b>	3.1	<b>26,937.4</b>	<b>26,023.7</b>	<b>24,916.3</b>
Cost of sales		-7,331.6	-7,359.2	-7,068.6
<b>Gross profit</b>		<b>19,605.8</b>	<b>18,664.5</b>	<b>17,847.7</b>
Research and development		-914.4	-877.1	-841.2
Advertising and promotion		-8,144.7	-7,650.6	-7,264.4
Selling, general and administrative expenses		-5,624.7	-5,460.5	-5,236.0
<b>Operating profit</b>	3.1	<b>4,922.0</b>	<b>4,676.3</b>	<b>4,506.1</b>
Other income and expenses	4	-94.7	-276.3	-541.3
<b>Operational profit</b>		<b>4,827.3</b>	<b>4,400.0</b>	<b>3,964.8</b>
Finance costs on gross debt		-34.8	-35.5	-27.4
Finance income on cash and cash equivalents		47.9	38.5	39.0
<b>Finance costs, net</b>		<b>13.1</b>	<b>3.1</b>	<b>11.6</b>
Other financial income (expenses)	9.4	-15.0	-26.0	-25.8
Sanofi dividends		358.3	350.0	346.5
<b>Profit before tax and associates</b>		<b>5,183.7</b>	<b>4,727.0</b>	<b>4,297.1</b>
Income tax	6	-1,284.3	-901.3	-1,213.7
Share of profit in associates		0.1	-0.1	-0.1
<b>Net profit from continuing operations</b>		<b>3,899.5</b>	<b>3,825.6</b>	<b>3,083.4</b>
<b>Net profit from discontinued operations</b>	2,3	<b>-</b>	<b>-240.1</b>	<b>25.3</b>
<b>Net profit</b>		<b>3,899.5</b>	<b>3,585.5</b>	<b>3,108.7</b>
Attributable to:				
+ owners of the company		3,895.4	3,581.4	3,105.8
+ non-controlling interests		4.1	4.1	2.9
Earnings per share attributable to owners of the company (euros)		6.96	6.40	5.55
Diluted earnings per share attributable to owners of the company (euros)		6.92	6.36	5.50
Earnings per share of continuing operations attributable to owners of the company (euros)	11.4	6.96	6.83	5.51
Diluted earnings per share of continuing operations attributable to owners of the company (euros)	11.4	6.92	6.78	5.46
Earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items (euros)	11.4	7.13	6.70	6.47
Diluted earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items (euros)	11.4	7.08	6.65	6.41

(1) The 2017 and 2016 consolidated income statements are presented to reflect the impacts of the application of IFRS 5 relative to discontinued operations, by restating The Body Shop activity on a single line "Net profit from discontinued operations" (see note 2.3.).

Source : L'Oréal 2018 Registration Document



# Income statement : exercise

- Imagine a large fashion design company that manufactures a number of cloths. “Super dress” is one of the company’s products that sells for 120€/unit. Total fixed expenses related to “Super dress” are 150 000€ per month and variable expenses involved in manufacturing this product are 65€ per unit. Monthly sales are 3 000 “Super dress”.
- According to a research conducted by sales department, a 10% reduction in sales price will result in 25% increase in unit sale.
- Prepare two income statements in contribution

# Income Statement : exercise correction

Income Statement		
	Present	Projected
Sales	360 000 €	405 000 €
Variable cost	195 000 €	243 750 €
Margin on variable cost / commercial margin	165 000 €	161 250 €
Fixed costs	150 000 €	150 000 €
Net operating income	15 000 €	11 250 €

- Please note that we calculated here a **net operating income** and that is **different from the net income**, which incorporates results from financial operations and exceptional results.

# Cash flow statement : definition

- The statement of cash flows, or the cash flow statement, is a financial statement that summarizes the amount of cash and cash equivalents entering and leaving a company.
- They breaks into 3 categories :
  - 1) Cash from operating activities
  - 2) Cash from investing activities
  - 3) Cash from financing activities

<b>Cash Flow Statement</b> <b>Company XYZ</b> <b>FY Ended 31 Dec 2017</b> <small>All Figures in USD</small>		
<b>Cash Flow From Operations</b>		
Net Earnings		2,000,000
<i>Additions to Cash</i>		
Depreciations		10,000
Decrease in Accounts Receivable		15,000
Increase in Accounts Payable		15,000
Increase in Taxes Payable		2,000
<i>Subtractions From Cash</i>		
Increase in Inventory		(30,000)
<b>Net Cash From Operations</b>		<u>2,012,000</u>
<b>Cash Flow From Investing</b>		
Equipment		(500,000)
<b>Cash Flow From Financing</b>		
Notes Payable		10,000
<b>Cash Flow for FY Ended 31 Dec 2017</b>		<u>1,522,000</u>

Cash flow statement :  
example (1)

Source :  
<https://www.investopedia.com/investing/what-is-a-cash-flow-statement/>

# Cash flow statement : example (2 ; 1/3)

<i>€ millions</i>	Notes	<b>2018</b>	2017 <sup>(1)</sup>	2016 <sup>(1)</sup>
<b>Cash flows from operating activities</b>				
Net profit attributable to owners of the company		3,895.4	3,581.4	3,105.8
Non-controlling interests		4.1	4.1	2.9
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation and provisions		1,109.3	1,218.5	1,382.3
• changes in deferred taxes	6.1	43.0	-194.8	86.5
• share-based payment (including free shares)	5.5	126.4	126.7	120.4
• capital gains and losses on disposals of assets		-2.7	-3.9	-16.2
Other non-cash transactions		2.7	-	-
Net profit from discontinued operations		-	240.1	-25.3
Share of profit in associates net of dividends received		-0.1	0.1	0.1
<b>Gross cash flow</b>		<b>5,178.1</b>	<b>4,972.2</b>	<b>4,656.4</b>
Changes in working capital	3.5	113.8	261.1	4.3
Net cash provided by operating activities from discontinued operations		-	-36.7	43.9
<b>Net cash provided by operating activities (A)</b>		<b>5,291.9</b>	<b>5,196.6</b>	<b>4,704.7</b>

Source : L'Oréal 2018 Registration Document

# Cash flow statement : example (2 ; 2/3)

<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment and intangible assets		-1,416.1	-1,263.5	-1,334.9
Disposals of property, plant and equipment and intangible assets		5.6	8.2	34.2
Changes in other financial assets (including investments in non-consolidated companies)		61.0	-70.7	-42.9
Effect of changes in the scope of consolidation	2,2	-666,5	-166,5	-1,209,0
Net cash (used in) from investing activities from discontinued operations		-	-24.4	-51.8
<b>Net cash (used in) from investing activities (B)</b>		<b>-2,016.0</b>	<b>-1,516.9</b>	<b>-2,604.5</b>

Source : L'Oréal 2018 Registration Document

# Cash flow statement : example (2 ; 1/3)

<b>Cash flows from financing activities</b>				
Dividends paid		-2,061.4	-1,870.7	-1,832.9
Capital increase of the parent company		135.3	118.3	163.2
Disposal (acquisition) of Treasury shares		-499.4	-499.2	-499.1
Purchase of non-controlling interests		-	-2.0	-
Issuance (repayment) of short-term loans		62.3	-86.6	446.0
Issuance of long-term borrowings		-	-	1.8
Repayment of long-term borrowings		-4.3	-7.0	-16.4
Net cash (used in) from financing activities from discontinued operations		-	71.5	-3.5
<b>Net cash (used in) from financing activities (C)</b>		<b>-2,367.5</b>	<b>-2,275.7</b>	<b>-1,740.8</b>
Net effect of changes in exchange rates and fair value (D)		36.9	-65.3	-13.1
<b>Change in cash and cash equivalents (A+B+C+D)</b>		<b>945.4</b>	<b>1,338.7</b>	<b>346.2</b>
<b>Cash and cash equivalents at beginning of the year (E)</b>		<b>3,046.6</b>	<b>1,746.0</b>	<b>1,399.8</b>
Net effect of changes in cash and cash equivalents of discontinued operations (F)		-	-38.1	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E+F)</b>	<b>9.2</b>	<b>3,992.0</b>	<b>3,046.6</b>	<b>1,746.0</b>

Source : L'Oréal 2018 Registration Document

# Cash flow statement : exercise

- We continue with the previous exercise (« Super dress »). Make a cash flow statement for the 2 scenarii and in both case considere that the company made 4000 units.

# Cash flow statement : exercise correction

## Cash Flow Statement

The company produced 4 000 units in both hypothesis

Outflow from variable cost	260 000 €	260 000 €
Outflow for fixed costs	150 000 €	150 000 €
Inflow from sales	360 000 €	405 000 €
Total	- 50 000 €	- 5 000 €

Important fact : the income statement can show a profit, but at the same time the cash flow statement can show that money is flowing out of the bank account !

# Balance sheet : definition

- Balance sheet : The basic accounting equation was the title of lesson 6. Can you recall what is this basic equation ?

# Balance sheet : definition

- A balance sheet is a financial statement that reports a company's **assets, liabilities** and shareholders' equity at a specific point in time, and provides a basis for computing rates of return and evaluating its capital structure. It is a financial statement that provides a snapshot **of what a company owns and owes**, as well as the amount invested by shareholders.
- It is used alongside other important financial statements such as the income statement and statement of cash flows in conducting fundamental analysis or calculating financial ratios.

# Balance Sheet

As of December 31, 2016 (000s)

<b>Assets</b>		<b>Liabilities</b>	
Cash	481	Accounts Payable	625
Marketable Securities	1,346	Current Portion L-T Debt	1,021
Accounts Receivable	1,677	Taxes Payable	36
Inventory	2,936	Accrued Expenses	<u>157</u>
Prepaid Expenses	172	<b>Total Current Liabilities</b>	<b>1,839</b>
Other Current Assets	<u>58</u>	Long-term Debt	2,332
<b>Total Current Assets</b>	<b>6,670</b>	<b>Total Liabilities</b>	<b>4,171</b>
Gross Value of Property, Plant & Equipment	2,019	<b>Owner's Equity</b>	
Accumulated Depreciation	<u>(664)</u>	Common Stock and Paid-in Cap	194
Net Property, Plant, Equipment	1,355	Retained Earnings	<u>4,009</u>
Note Receivable	<u>349</u>	<b>Total Shareholders' Equity</b>	<b>4,203</b>
<b>Total Assets</b>	<b>8,374</b>	<b>Total Liabilities and Equity</b>	<b>8,374</b>

What the Company Owns

What the Company Owes

Shareholders' Equity

Balance sheet :  
example (1)

- Source : <https://marketbusinessnews.com/financial-glossary/balance-sheet-definition-meaning/>

# Balance sheet : example (2 ; 1/2)

## ASSETS

€ millions	Notes	31.12.2018	31.12.2017 <sup>(1)</sup>	31.12.2016 <sup>(1)(2)</sup>
<b>Non-current assets</b>		<b>25,991.2</b>	<b>24,320.1</b>	<b>25,584.6</b>
Goodwill	7.1	9,597.1	8,872.3	8,792.5
Other intangible assets	7.2	3,087.3	2,579.1	3,179.4
Property, plant and equipment	3.2	3,624.6	3,571.1	3,756.9
Non-current financial assets	9.3	9,100.5	8,766.2	9,306.5
Investments in associates	8	9.0	1.1	1.0
Deferred tax assets:	6.3	572.7	530.3	548.3
<b>Current assets</b>		<b>12,466.3</b>	<b>11,019.0</b>	<b>10,045.6</b>
Inventories	3.3	2,821.9	2,494.6	2,698.6
Trade accounts receivable	3.3	3,983.2	3,923.4	3,941.8
Other current assets	3.3	1,509.1	1,393.8	1,420.4
Current tax assets		160.1	160.6	238.8
Cash and cash equivalents	9.2	3,992.0	3,046.6	1,746.0
<b>TOTAL</b>		<b>38,457.5</b>	<b>35,339.1</b>	<b>35,630.2</b>

Source : L'Oréal 2018 Registration Document

# Balance sheet : example (2 ; 2/2)

## EQUITY & LIABILITIES

€ millions	Notes	31.12.2018	31.12.2017 <sup>(1)</sup>	31.12.2016 <sup>(1)(2)</sup>
<b>Equity</b>	11	<b>26,933.6</b>	<b>24,818.5</b>	<b>24,504.0</b>
Share capital		112.1	112.1	112.4
Additional paid-in capital		3,070.3	2,935.3	2,817.3
Other reserves		15,952.5	14,761.8	13,961.9
Other comprehensive income		4,242.1	3,895.0	4,227.3
Cumulative translation adjustments		-287.4	-413.5	410.9
Treasury stock		-56.5	-56.5	-133.6
Net profit attributable to owners of the company		3,895.4	3,581.4	3,105.8
<b>Equity attributable to owners of the company</b>		<b>26,928.4</b>	<b>24,815.7</b>	<b>24,501.9</b>
Non-controlling interests		5.2	2.8	2.1
<b>Non-current liabilities</b>		<b>1,412.2</b>	<b>1,347.2</b>	<b>1,918.9</b>
Provisions for employee retirement obligations and related benefits	5.4	388.9	301.9	711.8
Provisions for liabilities and charges	12.1	336.1	434.9	333.3
Deferred tax liabilities	6.3	673.7	597.0	842.9
Non-current borrowings and debt	9.1	13.5	13.4	30.9
<b>Current liabilities</b>		<b>10,111.6</b>	<b>9,173.4</b>	<b>9,207.3</b>
Trade accounts payable		4,550.0	4,140.8	4,135.3
Provisions for liabilities and charges	12.1	979.8	889.2	810.7
Other current liabilities	3.4	3,138.9	2,823.9	2,854.4
Income tax		215.1	158.5	173.2
Current borrowings and debt	9.1	1,227.8	1,161.0	1,233.7
<b>TOTAL</b>		<b>38,457.5</b>	<b>35,339.1</b>	<b>35,630.2</b>

(1) The balance sheets at 31 December 2017 and 31 December 2016 have been restated to reflect the change in accounting policy pertaining to IFRS 9 Financial Instruments (see note 1).

(2) 2016 balance sheet as reported including The Body Shop.

Source : L'Oréal 2018 Registration Document

# Balance sheet : exercise

- If starting with 200 000€ capital + 200 000 € loan from a bank, our balance sheet looks like this at day 1 :

asset		liabilities	
cash at the bank	400 000 €	capital	200 000 €
		loan	200 000 €

# Balance sheet : exercise

- At the end of the year, in scenario 1 we have a total operating cash flow of -50 000€ but we end with an inventory :

asset		liabilities	
inventory	86 250 €	capital	236 250 €
cash at the bank	350 000 €	loan	200 000 €
	436 250 €		436 250 €
note : inventory is at cost : 82,5€ / unit, not sale price (120€)			