CHAPTER 2

A Further Look at Financial Statements

Learning Objectives

1. Identify the sections of a classified balance sheet.
2. Use ratios to evaluate a company's profitability, liquidity, and solvency.
3. Discuss financial reporting concepts.

*4. Compare the classified balance sheet format under GAAP and IFRS.

Chapter Outline

Learning Objective 1 - Identify the Sections of a Classified Balance Sheet.

In a **classified balance sheet,** companies often group similar assets and similar liabilities together using standard classifications and sections. This is useful because items within the groups have similar economic characteristics. The groupings help users determine:
(1) whether the company has enough assets to pay its debts and (2) what claims by short-and long-term creditors exist on the company's total assets.

A **classified balance sheet** generally contains the following standard classifications:

♦ **Current Assets**

- Assets that are expected to be converted to cash or used up in the business within one year or one operating cycle whichever is longer.
- Examples of current assets: cash, short-term investments (which include short-term U.S. government securities), receivables (accounts receivable, notes receivable, and interest receivable), inventories, and prepaid expenses (rent, supplies, insurance, and advertising).
- On the balance sheet, current assets are listed in the order in which they are expected to be converted into cash (order of liquidity).
- Some companies use a period longer than one year to classify assets and liabilities as current because they have an operating cycle longer than one year. The **operating cycle** of a company is the average time required to go from cash to cash in producing revenue-buy inventory, sell it, and collect the cash from the customers.

TEACHING TIP

(a) Discuss the difference between notes receivable and accounts receivable; different types of prepaid expenses; and the fact that inventory, supplies, and prepaid expenses will become expenses when they are used up. Explain why these assets are classified as current. (b) Discuss the concept of short-term investments.

♦ **Long-Term Investments**

- Assets that can be converted into cash, but whose conversion is not expected within one year.
- These include long-term assets not currently used in the company's operations (i.e., land, buildings, etc.) and investments in stocks and bonds of other corporations.

TEACHING TIP

Explain to students that there are individuals in large companies who do nothing but take care of long-term investments.

Discuss the difference between short-term and long-term investments in stocks and bonds of other corporations.

Example: A homebuilder has the following assets: (1) lots in a subdivision that are ready for sale to buyers; (2) land on which the corporate office building sits; and (3) land several miles north of town on which it plans a new subdivision in 5 years. Ask students where each of these parcels of land would go on a classified balance sheet. This shows that the classification depends on the use by the company.

Also, ask students how they would classify a certificate of deposit that will mature in 5 years and be used to pay for the new subdivision.

- **Property, Plant, and Equipment**
  - Assets with relatively long useful lives.
  - Assets currently used in operating the business.
  - Sometimes called *fixed assets* or *plant assets.*
  - Examples include land, buildings, machinery, equipment, and furniture and fixtures.
  - Record these assets at **cost** and **depreciate** them (except land) over their useful lives. The full purchase price is not expensed in the year of purchase because the assets will be used for more than one accounting period.
    - **Depreciation** is the practice of allocating the cost of assets to a number of years.
    - **Depreciation expense** is the amount of the allocation for one accounting period.
    - **Accumulated depreciation** is the total amount of depreciation that has been expensed since the asset was placed in service.
    - Cost less accumulated depreciation is reported on the balance sheet.

TEACHING TIP

Explain that depreciation is not a valuation of assets. It is the allocation of their cost over the periods in which they will benefit the business. Many students believe the balance sheet shows the value of the business. Stress that accounting (with a few exceptions that are covered in later chapters) records cost – not value.

- **Intangible Assets**
  - Noncurrent assets.
  - Assets that have no physical substance.
  - Examples are goodwill, patents, copyrights, and trademarks or trade names.

TEACHING TIP

Briefly discuss types of intangible assets. Encourage students to think about companies that have large investments in intangible assets. Remind students that this topic is discussed in more detail in Chapter 9.

- **Current Liabilities**
  - Obligations that are to be paid within the coming year or operating cycle whichever is longer.
  - Common examples are notes payable, accounts payable, wages payable, bank loans payable, interest payable, taxes payable, and current maturities of long-term obligations.
  - Within the current liabilities section, companies usually list notes payable first, followed by accounts payable, and then the remaining items in the order of their magnitude.

> **TEACHING TIP**
>
> (a) Discuss the following payables: wages payable, interest payable, taxes payable, etc.
> (b) Discuss the difference between accounts payable and notes payable. (c) Discuss how notes payable can be current or long-term, depending on the maturity date.

- **Long-Term Liabilities**
  - Obligations expected to be paid after one year.
  - Liabilities in this category include bonds payable, mortgages payable, long-term notes payable, lease liabilities, and pension liabilities.
  - Many companies report long-term debt maturing after one year as a single amount in the balance sheet and show the details of the debt in notes that accompany the financial statements.

> **TEACHING TIP**
>
> Bonds have been mentioned several times. Students need to understand the difference between notes payable and bonds payable. Also discuss the difference between interest payable and notes or bonds payable.

- **Stockholders' Equity:** Stockholders' equity consists of two parts:
  - **Common Stock** - investments of assets into the business by the stockholders.
  - **Retained Earnings** - income retained for use in the business.

> **TEACHING TIP**
>
> Tell students that companies can issue different types of stock and that common stock is sometimes referred to as capital stock. Mention that stockholders' equity is discussed in more detail in Chapter 11. Until then, they will work with common stock.

Learning Objective 2 – Use Ratios to Evaluate a Company's Profitability, Liquidity, and Solvency.

- **Ratio analysis** expresses the relationship among selected items of financial statement data.
  - A **ratio** expresses the mathematical relationship between one quantity and another.
  - Ratios shed light on company performance
    - **Intracompany** comparisons – covers two years for the same company
    - **Industry-average** comparisons – based on average ratios for particular industries
    - **Intercompany** comparisons – based on comparisons with a competitor in the same industry.

TEACHING TIP

Discuss your preference for rounding. Explain how to compute percentages. Encourage students to use a spreadsheet for computations and presentation. Also encourage them to see if their answers are reasonable and to always reflect on what the computation means – not to just make the computation and then fail to understand what it tells a user.

TEACHING TIP

Discuss ways for students to find industry averages and ratios from sources on the web and in the library. Encourage them to start watching shows on the financial networks and reading business periodicals as well as the business section of newspapers. Ask them to share interesting information with the class.

- **Using the Income Statement--**Creditors and investors are interested in evaluating profitability. Profitability is frequently used as a test of management's effectiveness. To supplement an evaluation of the income statement, ratio analysis is used. **Profitability ratios** - measure the operating success of a company for a given period of time.
  - **Earnings per share**
    - Is a profitability ratio that measures the net income earned on each share of common stock.
    - Is computed by dividing (**net income** less preferred dividends) by the average number of **common shares** outstanding during the year.
    - By comparing earnings per share of a single company over time, one can evaluate its relative earnings performance on a per share basis.
    - Comparisons of earnings per share across companies are not meaningful because of the wide variations in numbers of shares of outstanding stock among companies.

TEACHING TIP

Ask students to watch one of the financial channels for at least 30 minutes and report on the references to earnings per share. If you use a discussion board, students can post their comments on it. This is an efficient way to share the information with the class without taking up too much classroom time.

- **Using A Classified Balance Sheet**--An analysis of the relationship between a company's assets and liabilities can provide users with information about the firm's liquidity and solvency.
  - **Liquidity** - The ability to pay obligations expected to come due within the next year or operating cycle. Two measures of liquidity include:
    - **Working capital**
      - Measure of short-term ability to pay obligations
      - Excess of current assets over current liabilities
      - Positive **working capital** (Current Assets > Current Liabilities) indicates the likelihood for paying liabilities is favorable.
      - Negative **working capital** (Current Liabilities > Current Assets) indicates that a company might not be able to pay short-term creditors and may be forced into bankruptcy.
    - **Current ratio**
      - Measure of short-term ability to pay obligations
      - Computed by dividing current assets by current liabilities
      - More dependable indicator of liquidity than working capital
- Does not take into account the composition of current assets (like slow-moving inventory versus cash)

TEACHING TIP

Explain that a 1.60:1 ratio means that for every $1 of current liabilities, the company has $1.60 in current assets.

Also, students need to be aware of the fact that the composition of the assets may be very important. For example if a company had most of its current assets in cash it could be more sure of its liquidity position than another company with the majority of its current assets in inventory. What happens if the company cannot sell the inventory?

- **Solvency** - The ability of a company to pay interest as it comes due and to repay the balance of debt due at its maturity. Solvency ratios include:
  - **Debt to Assets Ratio**
    - Measures the percentage of assets financed by creditors
    - The higher the percentage of debt financing, the riskier the company.
    - Computed by dividing total debt (both current and long-term liabilities) by total assets

TEACHING TIP

Compare ratios to tests performed by a doctor. Each test provides information. The doctor must ask the patient questions and then review the results of all tests before making a diagnosis. Students need to realize that ratios are indicators and must be analyzed properly before a decision can be made regarding the financial condition of a company. For example, a negative working capital does not always mean potential bankruptcy. The results of other ratios, as well as specific company information, must be analyzed.

- In the **statement of cash flows,** cash provided by operating activities indicates the cash-generating capability of the company. However, cash provided by operating activities fails to take into account that a company must invest in new property, plant, and equipment and at least maintain dividends at current levels to satisfy investors.
    - Free cash flow indicates a company's ability to generate cash from operations that is sufficient to pay debts, acquire assets, and distribute dividends.
    - It describes the cash remaining from operations after adjusting for capital expenditures and dividends.
    - It is computed by subtracting capital expenditures and cash dividends from cash provided by operations.

TEACHING TIP

Go over the free cash flow calculation for Best Buy.

Ask students to compute the free cash flow for a company and report their findings to the class.

Learning Objective 3 – Discuss Financial Reporting Concepts.

- **Generally Accepted Accounting Principles (GAAP)** are a set of rules and practices that provide answers to the following questions.
    - How does a company decide on the type of financial information to disclose?
    - What format should a company use?
    - How should a company measure assets, liabilities, revenues, and expenses?

- The **Securities and Exchange Commission (SEC)** is a U.S. government agency that oversees U.S. financial markets and accounting standard-setting bodies.

- The primary accounting standard-setting body in the U. S. is the **Financial Accounting Standards Board (FASB)**.

- The **International Accounting Standards Board (IASB)** sets standards called International **Financial Reporting Standards (IFRS)** for many countries outside the U.S.

- The **Public Company Accounting oversight Board (PCAOB)** determines auditing standards and reviews the performance of auditing firms.

TEACHING TIP

Remind students that financial statements consist of the income statement, retained earnings statement, balance sheet, and statement of cash flows. Again, it may be good to remind them that there are internal and external users.

TEACHING TIP

Discuss the issue of IFRS and making different countries' businesses more "transparent." What does transparency mean in this context? Why is this so important for successful transition to IFRS?

- **Qualities of Useful Information**--To be useful, information should possess two fundamental qualities: **relevance and faithful representation**.
  - **Relevance** - if information has the ability to make a difference in a decision scenario, it is **relevant.** Accounting information is considered **relevant** if it provides information that
    - has **predictive value**--helps provide accurate expectations about the future
    - has **confirmatory value** – confirms or corrects prior expectations.
    - an item is **material** when its size makes it likely to influence the decision of an investor or a creditor.

TEACHING TIP

When you were trying to decide what to wear to class, did it matter whether you were going to an English class or an Accounting class? No. That information was not relevant.

On the other hand, when you were making the decision, the outside temperature did make a difference. Therefore, the temperature was a relevant factor.

TEACHING TIP

Materiality allows firms to modify GAAP. Assume a firm buys a new electric pencil sharpener that is expected to last for 6 years for $18. GAAP say that the pencil sharpener, because it is expected to last for 6 years, should be listed as an asset and depreciated—or charged off—over 6 years at a rate of $3 per year. The materiality constraint allows the firm to expense the pencil sharpener immediately because the $18 expense will not make a difference to the users of financial statements.

  - **Faithful Representation -** information accurately depicts what really happened.

    To provide a faithful representation, information must be:
    - **complete**—nothing important has been omitted

- **neutral**—is not biased toward one position or another
- **free from error**

> **TEACHING TIP**
>
> Financial statements must present faithful representation to be of value. The SEC requires firms listed on an organized exchange to have financial statements audited by a Certified Public Accountant (CPA). The audit ensures faithful representation. Therefore, the public can feel more comfortable about information contained in audited financial statements.

- **Enhancing Qualities**
  - **Comparability—**when different companies use the same accounting principles. To make a comparison, companies must **disclose** the accounting methods used.
  - **Consistency**—when a company uses the same accounting principles and methods from year to year
  - **Verifiable—**information that is proven to be free from error.
  - **Timely—**information that is available to decision makers before it loses its capacity to influence decisions.
  - **Understandability**—information presented in a clear fashion so that users can interpret it and comprehend its meaning.

> **TEACHING TIP**
>
> Firms must follow prescribed accounting principles if users are to compare financial statements.
>
> Consistency requires firms to be consistent in the accounting principles used. However, if there is justification for changing from one principle to another, it must be explained in the Notes to the Financial Statements. The explanation lets users know what has happened to make the difference.

- **Assumptions and Principles in Financial Reporting--**To develop accounting standards, the FASB relies on the following key assumptions and principles:
  - **Monetary Unit Assumption**--States that only transactions expressed in money are included in accounting records.

> **TEACHING TIP**
>
> An example of a transaction expressed in terms of money would be the purchase of a building, paying the rent for the month, or paying the payroll. On the other hand, hiring an employee, ordering a product, or making a bid on a perspective job would not be a transaction expressed in terms of money.

- **Economic Entity Assumption**
  - Every economic entity can be separately identified and accounted for.

- Economic events can be identified with a particular unit of accountability.

TEACHING TIP

Explain to students that if they owned a bicycle shop in a nearby community, the economic transactions of the business would be kept separate from the students' personal transactions.

- **Periodicity Assumption** - allows the business to be divided into artificial time periods that are useful for reporting.

TEACHING TIP

Financial statements may be prepared monthly, quarterly, or annually, depending on the needs of the business.

- **Going Concern Assumption**--Assumes the business will remain in operation for the foreseeable future

TEACHING TIP

Use this topic as a way to discuss some of the decisions the CPA must make about risk. What would be some of the factors that the CPA as an auditor would look for to support the going concern assumption?

- **Principles in Financial Reporting**

  - **Measurement Principles--**GAAP generally uses one of two measurement principles: the cost principle or the fair value principle
    - **Historical Cost Principle** – requires assets to be recorded at original cost because that amount is verifiable.
    - **Fair value Principle** – requires that assets and liabilities should be reported at fair value (the price received to sell an asset or settle aliability).

TEACHING TIP

Ask students to assume they just bought a delivery van for their business. The van had a sticker price of $18,000. A neighbor purchased an identical van last week for $16,500. The student gave $15,000 for the van. At which price should the van be recorded?

  - **Full Disclosure Principle** – requires that all circumstances and events that would make a difference to financial statement users should be disclosed.

- **Cost Constraint--**Determining whether the cost that companies will incur to provide the information will outweigh the benefit that financial statement users will gain from having the information available.

IFRS

♦ A Look at IFRS

***Learning Objective 4 – Compare the classified balance sheet under GAAP and IFRS.**

The classified balance sheet, although generally required internationally, contains certain variations in format when reporting under IFRS.

♦ KEY POINTS

Similarities

- IFRS generally requires a classified statement of financial position similar to the classified balance sheet under GAAP.
- IFRS follows the same guidelines as this textbook for distinguishing between current and noncurrent assets and liabilities.

Differences

- IFRS recommends but does not require the use of the title "statement of financial position" rather than balance sheet.
- The format of statement of financial position information is often presented differently under IFRS. Although no specific format is required, most companies that follow IFRS present statement of financial position information in this order:
  - Noncurrent assets
  - Current assets
  - Equity
  - Noncurrent liabilities
  - Current liabilities
- Under IFRS, current assets are usually listed in the reverse order of liquidity. For example, under GAAP cash is listed first, but under IFRS it is listed last.
- IFRS has many differences in terminology from what are shown in your textbook. For example, in the sample statement of financial position illustrated on the next page, notice in the investment category that stock is called shares.

FRANKLIN CORPORATION
Statement of Financial Position
October 31, 2017

		Assets			
Intangible assets					
Patents				$ 3,100	
Property, plant, and equipment					
Land		$10,000			
Equipment	$24,000				
Less: Accumulated depreciation	5,000	19,000		29,000	
Long-term investments					
Share investments		5,200			
Investment in real estate		2,000		7,200	
Current assets					
Prepaid insurance		400			
Supplies		2,100			
Inventory		3,000			
Notes receivable		1,000			
Accounts receivable		7,000			
Debt investments		2,000			
Cash		6,600		22,100	
Total assets					$61,400
		Equity and Liabilities			
Equity					
Share capital					$20,050
Retained earnings				14,000	
Non-current liabilities					
Mortgage payable		$10,000			
Notes payable			1,300		11,300
Current liabilities					
Notes payable			11,000		
Accounts payable		2,100			
Salaries and wages payable			1,600		
Unearned service revenue		900			
Interest payable		450		16,050	
Total equity and liabilities				$ 61,400	

- Both GAAP and IFRS are increasing the use of fair value to report assets. However, at this point IFRS has adopted it more broadly. As examples, under IFRS companies can apply fair value to property, plant, and equipment; natural resources; and in some cases intangible assets.

♦ LOOKING TO THE FUTURE

The IASB and the FASB are working on a project to converge their standards related to financial statement presentation. A key feature of the proposed framework is that each of the statements will be organized in the same format, to separate an entity's financing activities from its operating and investing activities and, further, to separate financing activities into transactions with owners and creditors. Thus, the same classifications used in the statement offinancial position would also be used in the income statement and the statement of cash flows. The project has three phases. You can follow the joint financial presentation project at the following link:

Chapter 2 Review

Identify sections of a classified balance sheet. Explain the differences between current and long-term assets and liabilities. Identify accounts that fit into each section.

What is measured by profitability ratios? Compute EPS and discuss how it is used to measure profitability.

Define liquidity and solvency. Identify and compute ratios for analyzing a firm's liquidity and solvency. How are these ratios interpreted?

Use the statement of cash flows to evaluate solvency. Compute free cash flow and describe what it measures.

What are generally accepted accounting principles? Name the U.S. and international standard-setting bodies that establish these principles.

Define and explain the significance of relevance, faithful representation, comparability, and consistency. Define and explain assumptions and principles that are used in financial reporting. Define and explain cost constraint.

Vocabulary Quiz **Name ______________**

Chapter 2

______________ 1. Assets of a relatively permanent nature that are being used in the business and are not intended for resale.

______________ 2. The quality of information that indicates the information makes a difference in a decision.

______________ 3. A measure used to evaluate a company's liquidity and short-term debt-paying ability, computed by dividing current assets by current liabilities.

______________ 4. A company's ability to pay interest as it comes due, and debt at maturity .

______________ 5. The constraint of determining whether an item is large enough to likely influence the decision of an investor or creditor.

______________ 6. An assumption that economic events can be identified with a particular unit of accountability.

______________ 7. Obligations that companies reasonably expected to pay within the next year or operating cycle, whichever is longer.

______________ 8. Use of the same accounting principles and methods from year to year within a company.

______________ 9. Cash provided by operating activities adjusted for capital expenditures and dividends paid.

______________ 10. An accounting principle that states that companies should record assets at their cost.

Solutions to Vocabulary Quiz

Chapter 2

1. Property, plant, and equipment, or fixed assets, or plant assets
2. Relevance
3. Current ratio
4. Solvency
5. Materiality
6. Economic entity assumption
7. Current liabilities
8. Consistency
9. Free cash flow
10. Cost principle or historical cost principle

Exercise 1 - Research and Communication Activity

Chapter 2

Blaire and Mark married last year and immediately opened a small computer business. Blaire is responsible for managing the business while Mark is responsible for the accounting. At the end of each month, Mark tells Blaire that the business is earning a profit. Blaire, however, is very frustrated and skeptical. She calls the bank periodically and much to her amazement, the business has no more money in the checking account than it did on the opening day. Blaire and Mark heard that you were taking an accounting course at a local university and have cometo you, a friend, for help.

Write a memo to the young entrepreneurs explaining how it is indeed possible to have a net income and not have an increase in cash.

Solution:

DATE: 9/5/201X

TO: Blaire and Mark

FROM: Accounting Student

Net income and cash flow are totally different. Therefore, it is quite possible for a business to have a significant amount of net income and no increase in cash. Think about the transactions of your business during the past year. Has inventory increased? Have you purchased additional equipment, furniture, or fixtures? Did you withdraw money from the business. All of the aforementioned transactions, while necessary, decrease cash. However, if you have added inventory, equipment, furniture, and/or fixtures, you have increased assets other than cash. Therefore your business is worth more than it was at the onset.

Exercise 2 – Financial Statement Analysis and Decision Making Activity

Chapter 2

1. Compute the current ratio, debt to assets ratio, and free cash flow for the companies you have selected. Discuss your findings.

2. Which company would you recommend as an investment?

3. Why did you answer Question 2 as you did? Have you considered the issues presented in the Decision Tools in Chapter 2? Explain how this affected your recommendation.

Solutions: Information available on website.

Note: The website is constantly being updated. Please check to see that the information requested in this exercise is available.

Exercise 3 - Ratio Analysis and Creative Activity

Chapter 2

Refer to the loan application prepared for your fictitious business in Campus Town USA in Exercise 3 of Chapter 1 in answering the following questions:

1. Compute the current ratio and debt to assets ratio for your fictitious company.

2. Would you like to amend the financial statements prepared in chapter 1? Additional loan application forms are provided for your convenience.

Exercise 3 - Ratio Analysis and Creative Activity (Continued)

Chapter 2

LOAN APPLICATION FORM

Name of Company ____

Address____

Phone Number ____

Annual Income

Revenues
Cost of goods sold

Operating expenses
- Rent
- Utilities
- Wages
- Advertising
- Other

Net income (loss)

Assets

Cash
Accounts receivable
Inventory
Property, plant, & equipment
Other

Total assets

Liabilities

Accounts payable
Notes payable
Other

Total liabilities

Stockholders' Equity

Total stockholders' equity

Total liabilities & stockholders' equity

Exercise 4 - Financial Statements and Creative Activity

Chapter 2

1. Prepare personal financial statements, including an income statement and a balance sheet. Remember to include all of your sources of revenues; income from jobs, allowance from parents, etc. In addition, please consider all of your assets, clothes, jewelry, automobiles, electronic equipment, etc.

2. Keep a record of your income and expenses for a month.

3. At the end of the month, prepare financial statements, including an income statement, balance sheet, and a statement of cash flows.

Exercise 5 - Financial Statements and Creative Activity

Chapter 2

The Ice Cats, a professional ice hockey team moved to College Town USA. Joe Enterprise, organized Joe's Tees to take advantage of the large number of fans the team attracted by selling tee shirts with the team's name and logo printed in the team's colors. Joe sold the shirtsfrom a cart in front of the arena where the Ice Cats perform. Joe bought the cart for $5,000.Joe anticipates the cart will last for five years. The shirts cost $14 and Joe sold them for $25.In addition, Joe is required to buy a city license for $125.

During the first season, there were 10 home games at which Joe averaged selling 32 shirts a game. Compute Joe's net income or net (loss).

Solution:

Revenues		**$8,000**
Less expenses:		
Cost of shirts	**$4,480**	
Cart	**5,000***	
License	**125**	**9,605**
Net loss		**($1,605)**

***Most students are not yet familiar with accrual accounting or the concept of depreciation.**

You may want to keep a copy of the students' work. This exercise will be revisited in a later chapter.

Exercise 6 - World Wide Web Research, Financial Statement Analysis, and International Activity

Chapter 2

Select two competing companies, one a domestic company, the other a foreign company (i.e. Nike—Fila and ExxonMobil—BP), and locate annual reports for these companies on the internet. These companies can be found at

1. Where are the headquarters for the two companies you selected?

2. In what currency are the financial statements of the foreign company stated?

3. How are the financial statements similar? How are the financial statements different?

Solutions: Information available on website.

Note: The website is constantly being updated. Please check to see that the information requested in this exercise is available.

Exercise 7 – Accounting Career Activity

Chapter 2

Public accounting is one of the largest sectors of the accounting field. In order to retain a job in public accounting, one must become a Certified Public Accountant (CPA). An accountant may be designated a CPA only after he or she has passed a uniform exam and has met the experience requirements of the state in which they are certified. The American Institute of Certified Public Accountants is responsible for administering the CPA exam. Visit the AICPA at and click on **Students** to find answers to the following questions.

1. What is a CPA? What are the requirements to become a CPA?

2. What are the recommended areas of study to become a CPA?

3. What skills are needed to become a successful accountant/CPA?

4. What are the different career paths in accounting?

Solutions: Information available on website.

Note: The website is constantly being updated. Please check to see that the information requested in this exercise is available.

Exercise 8 - World Wide Web Financial Research Activity

Chapter 2

Johnson & Johnson is an international company committed to social responsibility. Visit Johnson & Johnson at and click on **our Company** and **Our Credo values.**

1. Provide a brief summary outlining Johnson & Johnson's executives' position on social responsibility.

2. List specific examples of social programs in which Johnson & Johnson is involved.