

EXHIBIT 2
Basic Formats and Forms

Balanced Format

- Graphical representation of the fundamental (or balance sheet) accounting equation ($A = L + E$)
- Emphasis: sources of finance (liabilities and equity) and how they are used (assets)
- Function: calculation of working capital when associated with a classified balance sheet

Equity Format

- Graphical representation of alternative accounting equation ($A - L = E$)
- Emphasis: equity as a residual element (IASB and FASB frameworks)
- Function: calculation of capital employed and ROI, and of net working capital and permanent financing when associated with a classified balance sheet

With account (or horizontal) basic form

Assets	Liabilities
	Equity

Assets	Equity
(Liabilities)	

With report (or vertical, top-to-bottom, or running) basic form

$Assets = Liabilities + Equity$

$Assets - Liabilities = Equity$

- French, Italian, German tradition
- Most U.S. companies: balanced format/account form
- IAS 1 IG shows balanced format/report form

- Equity format and vertical form: also known as net asset or U.K. GAAP format
- Typically, U.K. and a minority of U.S. companies