

Understanding Financial Statements

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The financial statements included in this explanation of financial statements are the 2004 financial statements of Procter & Gamble. Comments are inserted along with many of the account titles; click on the comment icon and the comment window will appear.

Full understanding of financial statements requires reading all the footnotes that accompany the statements. To access the footnotes to these statements, go to [Procter & Gamble's Investor Relations web site](#).



Procter & Gamble

Consolidated Statements of Earnings

See accompanying Notes to Consolidated Financial Statements
Years Ended June 30

<i>Amounts in millions except per share amounts</i>	2004	2003	2002
Net Sales	\$51,407	\$43,377	\$40,238
Cost of products sold	25,076	22,141	20,989
Selling, general and administrative expense	<u>16,504</u>	<u>13,383</u>	<u>12,571</u>
Operating Income	9,827	7,853	6,678
Interest expense	629	561	603
Other non-operating income, net	<u>152</u>	<u>238</u>	<u>308</u>
Earnings Before Income Taxes	9,350	7,530	6,383
Income taxes	<u>2,869</u>	<u>2,344</u>	<u>2,031</u>
Net Earnings	<u>\$6,481</u>	<u>\$5,186</u>	<u>\$4,352</u>
Basic Net Earnings Per Common Share	\$2.46	\$1.95	\$1.63
Diluted Net Earnings Per Common Share	\$2.32	\$1.85	\$1.54
Dividends Per Common Share	\$0.93	\$0.82	\$0.76

Source: www.proctergamble.com Modifications have been made to the original statements to provide comments and explanations.

Procter & Gamble

Consolidated Balance Sheets

See accompanying Notes to Consolidated Financial Statements

Assets

June 30

Amounts in millions

	2004	2003
<i>Current Assets</i>		
Cash and cash equivalents	\$5,469	\$5,912
Investment securities	423	300
Accounts receivable	4,062	3,038
Inventories		
Materials and supplies	1,191	1,095
Work in process	340	291
Finished goods	<u>2,869</u>	<u>2,254</u>
Total Inventories	4,400	3,640
Deferred income taxes	958	843
Prepaid expenses and other receivables	<u>1,803</u>	<u>1,487</u>
Total Current Assets	17,115	15,220
<i>Property, Plant and Equipment</i>		
Buildings	5,206	4,729
Machinery and equipment	19,456	18,222
Land	<u>42</u>	<u>591</u>
	23,542	25,304
Accumulated depreciation	<u>(11,196)</u>	<u>(10,438)</u>
Net Property, Plant and Equipment	14,108	13,104
<i>Goodwill and Other Intangible Assets</i>		
Goodwill	19,610	11,132
Trademarks and other intangible assets, net	<u>4,290</u>	<u>2,375</u>
Net Goodwill and Other Intangible Assets	23,900	13,507
Other Non-Current Assets	<u>1,925</u>	<u>1,875</u>
Total Assets	\$57,048	\$43,706

Procter & Gamble

Consolidated Balance Sheets, continued

See accompanying Notes to Consolidated Financial Statements

Liabilities and equity

	2004	2003
<i>Current Liabilities</i>		
Accounts payable	\$3,617	\$2,795
Accrued and other liabilities	7,689	5,512
Taxes payable	2,554	1,879
Debt due within one year	<u>8,287</u>	<u>2,172</u>
Total Current Liabilities	22,147	12,358
Long-Term Debt	12,554	11,475
Deferred Income Taxes	2,261	1,396
Other Non-Current Liabilities	<u>2,808</u>	<u>2,291</u>
Total Liabilities	39,770	27,520
<i>Shareholders' Equity</i>		
Convertible Class A preferred stock, stated value \$1 per share (600 shares authorized)	1,526	1,580
Non-Voting Class B preferred stock, stated value \$1 per share (200 shares authorized)	0	0
Common stock, stated value \$1 per share (5,000 shares authorized; shares outstanding: 2004 – 2,543.8, 2003 – 2,594.4)	2,544	2,594
Additional paid-in capital	2,425	1,634
Reserve for ESOP debt retirement	(1,283)	(1,308)
Accumulated other comprehensive income	(1,545)	(2,006)
Retained earnings	<u>13,611</u>	<u>13,692</u>
Total Shareholders' Equity	<u>17,278</u>	<u>16,186</u>
Total Liabilities and Shareholders' Equity	\$57,048	\$43,706

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Procter & Gamble

Consolidated Statements of Cash Flows

See accompanying Notes to Consolidated Financial Statements
Years ended June 30

<i>Amounts in millions</i>	2004	2003	2002
Cash and Cash Equivalents, Beginning of Year	\$5,912	\$3,427	\$2,306
<i>Operating Activities</i>			
Net earnings	6,481	5,186	4,352
Depreciation and amortization	1,733	1,703	1,693
Deferred income taxes	415	63	389
Change in accounts receivable	(159)	163	96
Change in inventories	56	(56)	159
Change in accounts payable, accrued and other liabilities	625	936	684
Change in other operating assets and liabilities	(88)	178	(98)
Other	<u>299</u>	<u>527</u>	<u>467</u>
Total Operating Activities	9,362	8,700	7,742
<i>Investing Activities</i>			
Capital expenditures	(2,024)	(1,482)	(1,679)
Proceeds from asset sales	230	143	227
Acquisitions	(7,476)	(61)	(5,471)
Change in investment securities	<u>(121)</u>	<u>(107)</u>	<u>88</u>
Total Investing Activities	(9,391)	(1,507)	(6,835)
<i>Financing Activities</i>			
Dividends to shareholders	(2,539)	(2,246)	(2,095)
Change in short-term debt	4,911	(2,052)	1,394
Additions to long-term debt	1,963	1,230	1,690
Reductions of long-term debt	(1,188)	(1,060)	(461)
Proceeds from the exercise of stock options	555	269	237
Treasury purchases	<u>(4,070)</u>	<u>(1,236)</u>	<u>(568)</u>
Total Financing Activities	(368)	(5,095)	197
Effect of Exchange Rate Changes on Cash and Cash Equivalents	<u>(46)</u>	<u>387</u>	<u>17</u>
Change in Cash and Cash Equivalents	<u>(443)</u>	<u>2,485</u>	<u>1,121</u>
Cash and Cash Equivalents, End of Year	<u>\$5,469</u>	<u>\$5,912</u>	<u>\$3,427</u>
<i>Supplemental Disclosure</i>			
Cash payments for:			
Interest	\$630	\$538	\$629
Income taxes	1,634	1,703	941
Non-cash spin-off of Jif and Crisco businesses		150	
<i>Acquisition of Businesses</i>			
Fair value of assets acquired, excluding cash	\$11,954	\$61	\$6,042
Fair value of liabilities assumed	(4,478)	-	(571)
Acquisitions	7,476	61	5,471

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