

# Foundational Building Blocks

Foundational building blocks of a  
financial report

# Scalar

Fact Value
3.14

A **scalar** is a fact which has no characteristics, it stands on its own.

For example, the value of pi is a scalar, it never changes; it always has the same value for everyone. (Pi or  $\pi$  is the ratio of a circle's circumference to its diameter and always has the value of equal to 3.14)

# Facts

Fact Value
2000
1000

A **fact** is a piece of information. Facts reported by a financial report can be numeric, text, or even prose.

For example, the two facts above with the values of “2000” and “1000”.

# Characteristic

Concept	Fact Value
Revenues	2000
Net income	1000

A **characteristic** describes a fact. Characteristics help you understand a fact.

For example, a characteristic of the number “2000” above is that it relates to *revenues* as opposed to the number “1000” which relates to *net income* .

# Characteristics

Reporting entity	Legal entity	Period	Concept	Fact Value
ABC Company	Consolidated entity	Jan 1, 2011 to Dec 31, 2011	Revenues	2000
ABC Company	Consolidated entity	Jan 1, 2011 to Dec 31, 2011	Net income	1000

Financial facts can have a number of **characteristics**.

For example, some common characteristics include the reporting entity, legal entity, period, and concept which describe a reported financial fact.

# Relations

## Relation

Gross profit = Revenues – Cost of Revenues

Consolidated revenues = Business segment A revenues + Business segment B revenues + Consolidation eliminations

Facts can have **relations**. Financial facts with specific concept characteristics can be related to one another. Characteristics of financial facts may also be related to one another.

For example, the facts with the concept characteristics gross profit = revenues – cost of revenues; and, consolidated revenues = business segment revenues + consolidation eliminations.

# Component

Reporting entity	Legal entity	Period	Concept	Fact Value
ABC Company	Consolidated entity	January 1, 2011 to December 31, 2011	Revenues	2000
ABC Company	Consolidated entity	January 1, 2010 to December 31, 2010	Revenues	2500
		09 to December 31, 2009	Revenues	2300
		11 to December 31, 2011	Cost of revenues	1800
		10 to December 31, 2010	Cost of revenues	1700
		09 to December 31, 2009	Cost of revenues	1600
		11 to December 31, 2011	Gross profit	200
		10 to December 31, 2010	Gross profit	800

  

	Year Ended December 31,		
	2008	2009	2010
Revenues	\$21,796	\$23,651	\$29,321
Costs and expenses:			
Cost of revenues (including stock-based compensation expense of \$41, \$47, \$67)	8,622	8,844	10,417
Research and development (including stock-based compensation expense of \$732, \$725, \$861)	2,793	2,843	3,762
Sales and marketing (including stock-based compensation expense of \$206, \$231, \$261)	1,946	1,984	2,799
General and administrative (including stock-based compensation expense of \$141, \$161, \$187)	1,803	1,668	1,962
Total costs and expenses	15,164	15,339	18,940
Income from operations	6,632	8,312	10,381
Impairment of equity investments	(1,095)	0	0
Interest and other income, net	316	69	415
Income before income taxes	5,853	8,381	10,796
Provision for income taxes	1,626	1,861	2,291
Net income	\$ 4,227	\$ 6,520	\$ 8,505
Net income per share of Class A and Class B common stock:			
Basic	\$ 13.46	\$ 20.62	\$ 26.69
Diluted	\$ 13.31	\$ 20.41	\$ 26.31

Financial reports have components. A **component** is comprised of all the fact which make up that component and the relations between those facts.

For example, an income statement is one component of a financial report and is made of all the facts with characteristics such as the concepts revenues, cost of revenues, gross profit; report information for a legal part of some reporting entity for specific periods.

# Summary

- Financial report
  - Components
    - Facts
    - Characteristics
    - Relations