



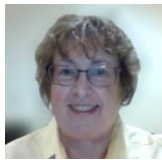
The Sun Bulletin



From the President

Happy New Year everyone!

I start this new year a bit adrift. My investment club, celebrating 25 years in 2022, decided to disband due to aging membership and a declining interest in the work of the club. We ended with a great appreciation for how the club, using BetterInvesting tools, has helped each of us become more confident, intelligent and successful investors. And we were more than happy to close out with a portfolio Compound Annual Return (CAR) of 19%! Being an individual member of BetterInvesting will continue to give me access to tools and information I need to keep growing and



learning, but I know I will miss the encouragement and support I received from my fellow club members. If you are already a member of a club, you know exactly what I mean! If you are not part of an investment club, look around for like-minded people

from among your friends, family, neighbors, and colleagues. Maybe it's time to explore starting a club for yourself. Golden West Chapter is here to help you with that. As for myself, I'm not sure what's next, but I plan to start by checking out a Model Club or two. Maybe I will see you there

Linda Robins

President, Golden West Chapter

In this Edition:

- Chapter News
- Education
- What's coming up?
- Member Benefits
- Book Review
- New Member(s)
- Volunteer Opportunities
- A Moment in History

Editor: Roxanne Brazell

SAVE THE DATE

Golden West Chapter Annual Meeting and Educational Event

Saturday, June 24, 2023

We need your input to prepare for this event. Please complete the survey:

[ANNUAL EVENT SURVEY](#)

If you are interested in sharing a story, please email us at contact@goldenwest.betterinvesting.net



7 Principles Investors Should Keep in Mind When Reviewing the Paperwork

By: Sam Levine, CFA, CMT

Why Financial Statements Are So Darn Complicated

If only measuring businesses' profits and values is as simple as looking at their dividends or share prices, investors' lives would be much easier. But financial statements' structures are the result of decades of negotiations between stakeholders with vastly different needs.

Readers evaluate companies from many different perspectives. Investors are concerned with the takeover value or future value of a firm. The government is concerned with how much tax a company should pay and the risk to the economy if the firm fails. A bank wants to know whether a loan can be paid back and the interest rate it should charge. Reporting companies want to minimize reporting costs.

In the interest of full disclosure, statements come with enormous amounts of detail. Making them even more challenging is the need for estimates. Some essential components of a company's worth or income can't be directly measured. That can allow executives to tilt some numbers in their favor.

Luckily, there are accounting standards that CEOs and CFOs must follow and an audience that's highly motivated can catch anyone bending the rules too far. In the United States, they're known as generally accepted accounting principles or GAAP. Accounting standards evolve to adjust to new industries, new laws and different needs.

There are also other standards across countries, such as the International Financial Reporting Standards. Underlying all accounting standards is a set of bedrock principles that will help us understand where the rules come from and how to better interpret companies' financial statements.

Here are seven principles that investors should always keep in mind.

1. The Monetary Unit Assumption

A firm's activity is measured in dollars and all dollars are equivalent. We all appreciate a good corporate citizen, but this will not appear on the statements unless an activity can be measured in dollars. Great ideas alone will not influence reports until they lead to economic activity. A dollar earned in 1999 is assumed to be worth the same as one made in 2019. Inflation is not accounted for in statements, except in rare instances.

2. The Cost Principle

Purchases and assets are included in financial statements at their historical costs, not their current market values. This principle is most relevant to asset-rich firms. A company's real estate could easily be worth more than the amount listed on a balance statement. Some rare exceptions to this, such as a broker-dealer's inventory of stock and bonds, can be marked at market value. But a General Motors factory would be listed at the cost to build it or its acquisition cost.

3. The Matching Principle

Costs are associated with revenues when the revenue is earned. This means that every cost that can be matched with a sale is expensed when the revenue is recognized. This leads to what's known as accrual accounting. The firm might estimate future taxes to offset sales income. Likewise, an estimate of future warranty repairs will also be expensed, whether or not the estimate is accurate.

4. The Revenue Recognition Principle

Revenues are recognized when they are earned, not when payment is received. As soon as a sale takes place, costs are matched with the sale and that revenue is booked. If the company is reasonably confident how much in sales it will fail to collect, it will deduct an estimate of bad debt from the sales number. But the timing of the cash receipt might be very different from the actual sale. That is why analysts watch the changes in short-term assets.

5. The Principle of Conservatism

When there is an accounting choice to be made, conservatism directs the accountant to choose the value that leads to either lower profit or lower assets. That does not mean accountants must understate numbers. But when an estimate must be made, it should err on the conservative side.

6. The Principle of Full Disclosure

Accountants should provide the contextual information that would help statement users understand the company's current situation. That's why the footnotes of financial statements are so relevant. They supplement the numbers and often lead to investors making significant adjustments to the statements.

7. The Going Concern Principle

Numbers are reported under the assumption the company will continue to operate indefinitely. That permits companies to defer some expenses and income in the interest of matching costs with income. If an auditor has reasonable doubt that the company may not be able to fulfill its obligations or continue its operations, it must be disclosed. **An going concern disclosure is a big deal when the market hasn't anticipated it.**

Source: Better Investing, March 11, 2022

**CLUB FANTASY
PORTFOLIO
CONTEST**

Looking for a challenge! Join the fun and [enter](#) to win.



MARK YOUR CALENDARS!

February March April 5:30-6:30 pm	First Friday "Happy Hour" (monthly)	Stop by this casual gathering of fellow investors and chapter directors. We will start off with a discussion of Portfolio Management and SSG Stock Review, then open to your questions.	For more info and to Register click HERE .
February March April 9-11:15 am	Orange County Model Investment Club (monthly)	Education: Morningstar Financials; Portfolio Review; Q4 APPL, FFIN; Small Company Stock Study. 1 st Saturday of the month.	Register HERE
February March April 9-11:15 am	SoCAL Model Investment Club (monthly)	Education: Morningstar Financials; Portfolio Review; Q4 APPL, FFIN; Small Company Stock Study. 2 nd Saturday of the month.	Register HERE

LOGIN IS REQUIRED TO ACCESS THESE LINKS

Featured Article January/February BI Magazine

Grin and Bear It!: How Savvy Investors Forage for Future Gains in Down Markets is an interesting and timely read as we hear more talk about a recession. It could be a great time to buy shares at lower rates. Check out the article to learn more, pg. 38.

Follow it up with the *Inflation and Asset Performance: What the past half century reveals*, is enlightening and reveals that stocks still outperform other assets and explains the need to diversify, but check out the article to find out how it can help support your portfolio, pg. 36.



"We made \$30,000 more this year and it only cost us \$60,000."

Source: Cartoon Resource

Member Perk! *First Cut Stock Reports*

Better Investing's First Cut Stock Report is a compiled list of quality generated by members. The reports provide a snapshot of various companies' performance to study. Learn more [here](#).

Quote for the Quarter

"It's not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for." — Robert Kiyosaki

Welcome the following new members to the BetterInvesting family:



Jose Luis A. – Chino
 Lloyd B. – Tustin
 Katy G. – San Diego
 Gary H. – Compton
 Jane H. – Marina Del Rey
 Allen J. – Banning

Monica L. – Ontario
 Guy O. – San Diego
 Anniah P. – Las Vegas
 Robyn R. – Inglewood
 Adam S. – Sherman Oaks

We Love our Volunteers!



The Golden West Chapter is run entirely by volunteer Directors, who give freely of their time and knowledge. The more volunteers we have, the more people we can reach and teach. If you are one of those people who want to learn more and like to help out, we want you as a director! We are always looking for individuals with administrative skills, organizational abilities, teaching skills or computer skills. This is a great opportunity to learn more about investing while spending time with a great group of folks. If you are interested, contact us at contact@goldenwest.betterinvesting.net.

*****We are offering individuals that would like to become a Golden West Chapter director the incentive of a FREE one-year BetterInvesting membership, including the SSGPlus online tools. ****

Club Corner



Need an interesting **Education Program** at your investment club meeting? We're here to help! Golden West Chapter has many programs to share with you on most popular investing topics and tools. To arrange either a virtual or in-person presentation to your club, contact us at:

contact@goldenwest.betterinvesting.net



INVESTMENT CLUB RESOURCES

are available here:

<https://www.betterinvesting.org/members/club-resources>

BetterInvesting sets up you and your club for success to invest profitably together. Helpful resources for your club's operations include:

Articles to help you learn the best practices to safely and effectively operate a club; Videos through the Video Learning Library covering topics such as club accounting, club operations and portfolio management; and documents you need to successfully operate an investment club.

Starting Off on the Right Foot of Investing

by Better Investing (excerpt edited by R. Brazell)

It's a new season to start off or contemplate changes in a maturing portfolio no matter what stage of investing you have reached. Technology makes it easy to buy and sell stocks, but it's essential to buy quality stocks at low rates to develop a sustainable portfolio. The [Stock Selection Guide \(SSG\)](#) is the first step in identifying, analyzing, and comparing stocks. It identifies the present sales, earnings, profitability, price-earnings ratios, dividends, and other fundamental data in a highly visual format. BI members can quickly get a sense of a company's performance and value to find quality growth stocks and determine if it is selling at a reasonable price.

There are two options the SSG Core and SSG Plus. The SSG Plus offers:

- Quarterly data and graph
- Save more stock studies
- More data items on the SSG graphs
- Bank analysis data
- More reports for portfolio management
- More data items on the Stock Comparison Guide

BI members can upgrade to the Individual Plus Grade to access the SSG Plus. There's a special limited time offer for BI members to upgrade free and not be charged until their renewal date.

Next, the [Stock Comparison Guide \(SCG\)](#) let's us take potential stocks compare and research companies for growth and value. All of these steps are essential in choosing quality growth stocks to meet your investing needs. Check out the [Video Learning Library](#) for SSG webinars on using different aspects of the tools and the [SSG Help page](#). The new year is a great time to start learning or take a deeper dive into the SSG and SCG.



<https://www.betterinvesting.org/chapters/goldenwest>
contact@goldenwest.betterinvesting.net

About BetterInvesting Since 1951, BetterInvesting has helped over 5 million people become better, more informed investors. You can learn more about the benefits of investment clubs by visiting www.betterinvesting.org/clubs to sample many of our investment club resources, at no cost or obligation. The Heart of Illinois Chapter of BetterInvesting is the local resource for investment education about how to buy good stocks at the right price with the goal of doubling your portfolio value in five years by investing regularly, reinvesting dividends, and diversifying investments.

Important Notice to our Readers: BetterInvesting is a non-profit educational organization that sponsors programs and provides information through their local volunteer chapters for the education and use of individual investors and investment club members. BetterInvesting neither recommends nor endorses specific securities. Everyone is encouraged to do their own stock selection research.