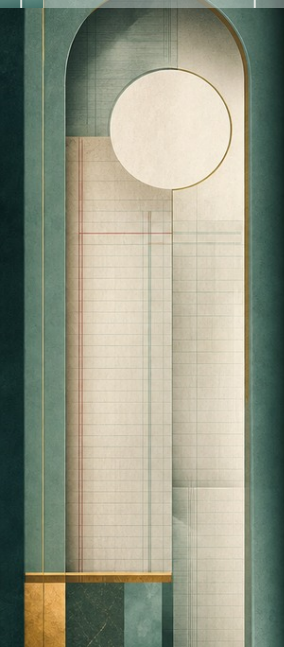


ACC 300 · BEFORE CLASS

Before-class trivia

Who was the first baseball player to earn more than one million dollars a year?



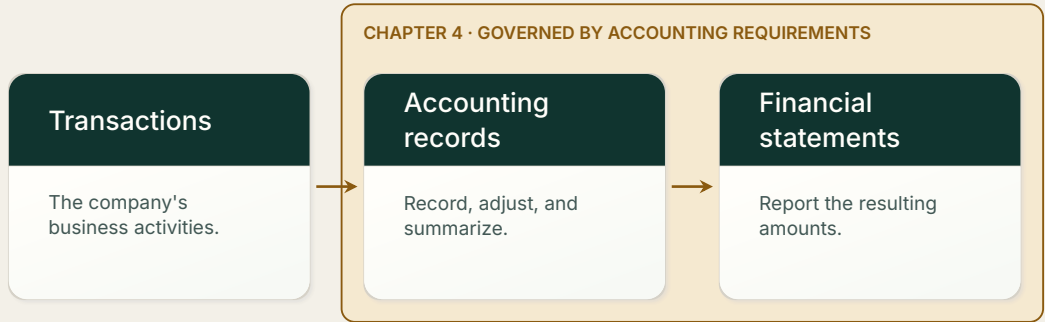
ACC 300 • SESSION 5

Interpreting reported financial information

What can an outside reader learn from a
company's reports?

From transactions to financial statements

Chapters 1 through 3 followed the work that produces the statements.



TODAY · CHAPTER 5

We are the outside readers: what can we learn from the finished reports?

What can an outside reader inspect?

Public companies file reports that anyone can examine.

Available in the filing

Financial statements

Notes to the statements

Auditor's report

Usually kept inside the company

Journals and ledgers

Underlying contracts

Detailed calculations

 Before buying shares, what do you need to understand about a reported amount?

What does this amount represent?

We want to understand Microsoft's reported accounts receivable balance.

Our question as investors

What current accounts receivable balance did Microsoft report at June 30, 2025?

We have the company's public report.

Before using the balance

Which date and units?

Which companies are included?

Is the allowance already deducted?

Where would we look?

Interpret reported financial information

Use the filing context that affects what the reported information means.

🎯 Learning objective 1.5

ANALYZE ●●●●○○

Interpret reported financial information using relevant context from the company's public filings.

EVIDENCE OF SUCCESS

Use the statement and related disclosures to explain the amount and what the filing leaves uncertain.

Use context that fits the question

Different parts of a filing answer different questions about the same account.

Questions about reported information

Question	Start with	Then consider
What does the amount represent?	Statement headings and row label	Entity, date, units, and deductions
How was it measured?	Accounting policy	Related note disclosures
What does the audit opinion cover?	Auditor's report	Named statements, periods, and opinion

Define the filing question

Use Microsoft's 2025 Form 10-K to examine its receivables reporting.

Find the balance

What current accounts receivable balance did Microsoft report at June 30, 2025?

Identify the measure and date before searching for a number.

Read the label

Does the reported amount describe receivables before or after the allowance?

The complete row label tells us what the amount represents.

Before the search

Distinguish the receivable balance from the allowance deducted to report it net.

Choose the report for the question

These forms serve different questions for a US domestic public company.

Annual, interim, and event reporting

FORM	QUESTION	REPORTING CONTEXT
10-K	What did the company report for the year?	Annual statements are audited
10-Q	What did it report for a fiscal quarter?	Quarterly interim statements are reviewed
8-K	What reportable event occurred?	Current report between periodic filings

Read both dates · SEC filing guide

The reporting date describes the information. The filing date tells you when the company submitted the report to the SEC.

Which filing fits the question?

? iClicker · Question 1 of 5

Which filing should you use to find Microsoft's fiscal 2025 year-end accounts receivable balance and allowance disclosure?

- ☐ A Form 10-K · reporting period ended June 30, 2024 · filed July 30, 2024
- ☐ B Form 10-Q · reporting period ended March 31, 2025 · filed April 30, 2025
- ☐ C Form 10-K · reporting period ended June 30, 2025 · filed July 30, 2025

Select the matching period

The question asks for Microsoft's fiscal 2025 year-end information.

✓ iClicker · Answer 1 of 5

A

Form 10-K · June 30, 2024 · prior fiscal year.

B

Form 10-Q · March 31, 2025 · interim date before year-end.

C

Form 10-K · reporting period ended June 30, 2025 · filed July 30, 2025

The form and reporting period match the annual year-end question. The later filing date does not change the balance date.

Watch the filing search

The recording follows the same annual-report choice you just made.

FIND THE FILING

Microsoft Corporation
Form 10-K
Reporting period ended June 30, 2025

CONFIRM THE RESULT

Open the report filed July 30, 2025.
Check the company and year on its cover.

Keep the report

Download the HTML filing for the later ChatGPT document-grounding test.

Select the annual report

Check the company and reporting date before searching for an amount.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 30, 2025

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From

to
Commission File Number 001-37845

MICROSOFT CORPORATION



CHECK THE COVER

Microsoft Corporation

Form 10-K: annual report filed with the Securities and Exchange Commission (SEC).

Year ended June 30, 2025.

Filed July 30, 2025.

Filing identifier: 0000950170-25-100235.

Open the complete HTML report

Download the HTML file for the later ChatGPT test.

A Form 10-K uses four parts

The numbered Items provide a common route through a domestic issuer's annual report.

PART I

Business and risks.

PART II

Financial reporting.

PART III

Governance and pay.

PART IV

Exhibits.

INSIDE PART II

ITEM 7

Management's discussion and analysis

Explains results and financial condition.

ITEM 8

Financial statements and notes

Auditor's report; controls in Item 9A.

Apply the structure to Microsoft

Start with Item 8: find the financial statements, then follow the related note.

Open the financial statements

The contents page links directly to Item 8.

PART II

Item 5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities</u>	33
Item 6.	<u>[Reserved]</u>	34
Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	49
Item 8.	<u>Financial Statements and Supplementary Data</u>	50

FOLLOW ITEM 8

Financial Statements and Supplementary Data → Balance Sheets

 [Microsoft 2025 Form 10-K · Table of contents; Item 8](#)

LOCATE · MICROSOFT RECEIVABLES

Interpret the reported balance

Check the row label, date column, units, and any allowance already deducted.

Find the receivables line

Keep the complete row label, date column, and unit heading together.

BALANCE SHEETS

(In millions)

June 30,	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,242	\$ 18,315
Short-term investments	64,323	57,228
Total cash, cash equivalents, and short-term investments	94,565	75,543
Accounts receivable, net of allowance for doubtful accounts of \$944 and \$830	69,905	56,924

Q READ THE COMPLETE ROW

Accounts receivable, net of allowance for doubtful accounts. Keep the allowance amounts with the net balances.

 [Microsoft 2025 Form 10-K · Item 8; Balance Sheets, selected current-asset rows](#)

Identify the reported amount

Which amount appears on the balance sheet?



Choose and explain

A

Gross accounts receivable before the allowance

B

Accounts receivable after deducting the allowance

Explain what the word net tells the reader.

Read the net label

The reported balance already reflects the allowance.

Gross receivables, allowance, and reported net balance

Gross accounts receivable

– Allowance for doubtful accounts

= Accounts receivable, net

The balance sheet reports the amount after the deduction.

All three describe balances at one date.

Read the complete row

Selected balances at June 30, in US dollars in millions.

Microsoft · Current accounts receivable

JUNE 30 · US DOLLARS IN MILLIONS	2025	2024
Accounts receivable, net	<u>69,905</u>	<u>56,924</u>
Allowance named in row	944	830

 [Microsoft 2025 Form 10-K · Consolidated balance sheets; Microsoft Corporation and subsidiaries](#)

Read the complete row

Selected balances at June 30, in US dollars in millions.

Microsoft · Current accounts receivable

JUNE 30 · US DOLLARS IN MILLIONS	2025	2024
Accounts receivable, net	<u>69,905</u>	<u>56,924</u>
Allowance named in row	944	830

The statement reports the net balance.
The row label also discloses the allowance.

 [Microsoft 2025 Form 10-K · Consolidated balance sheets; Microsoft Corporation and subsidiaries](#)

Read the allowance disclosure

The note describes an estimate, not a known collection outcome.

We record an allowance for doubtful accounts which reflects our best estimate of credit losses inherent in the accounts receivable and financing receivable balances. We determine the allowance based on known troubled accounts, historical experience, and other currently available evidence.

WHAT IT IS

Microsoft's **best estimate of credit losses** in receivable balances.

WHAT INFORMS IT

Troubled accounts, historical experience, and other available evidence.

 [Microsoft 2025 Form 10-K · Note 1, Contract Balances and Other Receivables](#)

Read the opinion's scope

The opinion addresses the financial statements as a whole.

Microsoft · Financial statement opinion

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Microsoft Corporation and subsidiaries (the "Company") as of June 30, 2025 and 2024, the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity, for each of the three years in the period ended June 30, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2025, in conformity with accounting principles generally accepted in the United States of America.

MATERIALITY

Material errors can affect decisions.

REASONABLE ASSURANCE

High assurance, not a guarantee.

Separate three conclusions

Each source answers a different part of the receivables analysis.

What each source establishes

SOURCE	WHAT IT ESTABLISHES	WHAT IT DOES NOT
Balance sheet	Current receivables are reported net at \$69.905 billion	The gross receivable balance
Note 1	The \$944 million allowance is an estimate	Which customers will fail to pay
Auditor's report	Opinion on the statements as a whole	A guarantee for every customer balance

What does the opinion support?

? iClicker · Question 2 of 5

Which conclusion does Microsoft's financial statement opinion support?

- ☐ A Every customer balance will be collected.
- ☐ B Every reported account balance is exactly correct.
- ☐ C The financial statements as a whole are presented fairly, in all material respects, in accordance with US GAAP.
- ☐ D The allowance will equal the credit losses that eventually occur.

The opinion addresses the statements

It concerns the statements as a whole, not every balance or future outcome.

✓ iClicker · Answer 2 of 5

- A** Every customer balance will be collected. The opinion does not predict individual collections.
- B** Every reported balance is exactly correct. Reasonable assurance is not exactness.
- C** The financial statements as a whole are presented fairly, in all material respects, in accordance with US GAAP.
This matches the opinion's subject, reporting framework, and materiality threshold.
- D** The allowance will equal future credit losses. It remains an estimate.

Early GPT struggled with CPA questions

The strongest tested model answered 14.4% of a sample REG section correctly.

GPT as Knowledge Worker: A Zero-Shot Evaluation of (AI)CPA Capabilities

Jillian Bommarito^a, Michael J Bommarito II^{a,b,c,d}, Jessica Katz^a, Daniel Martin Katz^{a,b,c,d}

^a273 Ventures LLC

^bIllinois Tech - Chicago Kent College of Law

^cBucerius Law School

^dCodeX - The Stanford Center for Legal Informatics

Abstract

The global economy is increasingly dependent on knowledge workers to meet the needs of public and private organizations. While there is no single definition of knowledge work, organizations and industry groups still attempt to measure individuals' capability to engage in it. The most comprehensive assessment of capability readiness for professional knowledge workers is the Uniform CPA Examination developed by the American Institute of Certified Public Accountants (AICPA). In this paper, we experimentally



WHAT THE PAPER TESTED

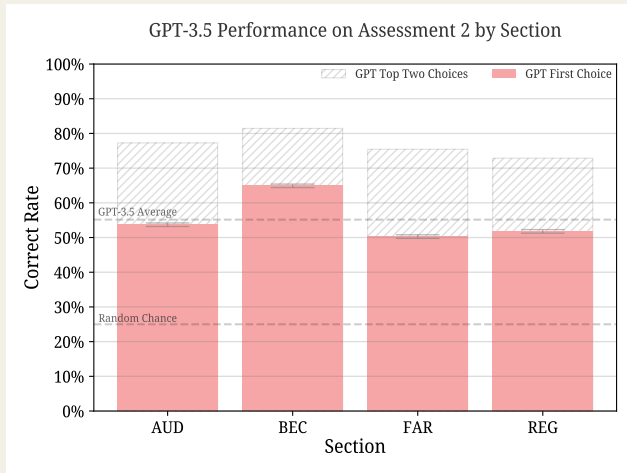
A zero-shot request gives no worked example.

The study tested a sample Regulation exam section and more than 200 questions based on CPA Exam Blueprints. The 14.4% result is for the exam section.

Read the full paper on SSRN. This was a 2023 exam study, not a test of today's filing search.

The 2023 results varied by subject

These results come from the study's separate CPA Blueprint assessment.



HOW TO READ IT

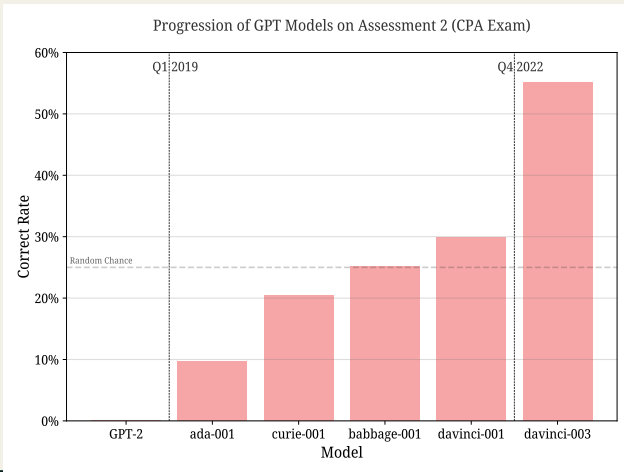
Solid bars: first-choice answers.

Hatched area: the second choice also counts.

The questions did not test Analysis or Evaluation tasks.

The work changed as models improved

Today a filing answer may arrive in seconds; our task is to check it.



WHAT CHANGED

In 2023, correct answers rose from about 30% for davinci-001 to about 57% for davinci-003 on this assessment.

Current models can answer a filing question in under 10 seconds. Speed does not settle what the filing supports.

AI · NEW QUESTION

Find a disclosure you cannot name

Turn an ordinary-language question into a source-backed answer.



When you do not know the row

A filing question can describe an activity without naming its disclosure.

THE BUSINESS QUESTION

Microsoft is expanding its datacenters.
What had it already agreed to pay for
future capacity at June 30, 2025?

AI'S USEFUL JOB

Find the relevant filing passages and
explain how the reported categories
differ. Return locations a reader can
open.

The boundary

The filing does not report one total called "future datacenter capacity." Do not invent one.

Ten questions before a tool acts

The work determines what a useful AI system must do.

Questions adapted from Agentic AI in Law and Finance

START AND UNDERSTAND

Trigger: when does work begin?

Intent: what does the request mean?

Memory: what must it retain?

FIND AND ACT

Perception: which sources can it inspect?

Action: what may it do with what it finds?

Planning: what steps depend on others?

The remaining questions concern completion, escalation, delegation, and governance. We will use the ones this filing task needs.

Decide when the answer is ready

A useful response includes a stopping rule and a way to handle uncertainty.

Apply the remaining questions to this classroom task

QUESTION	TODAY'S DECISION
Termination	Stop after the relevant categories, locations, and limits are stated.
Escalation	Ask a person when the filing does not settle a claim.
Delegation	None is needed for this one-report investigation.
Governance	Use the supplied filing and keep the reader in charge of the conclusion.

These are design questions for a work system. A chat window does not automatically perform every role.

Find future-capacity commitments

Use the question, not a table title, to start the search.

ASK AN ASSISTANT

Using Microsoft's 2025 Form 10-K, find what Microsoft had agreed to pay for future datacenter capacity at June 30, 2025. Identify relevant categories, amounts, units, and filing locations. Explain what each category covers and flag any amount that is not exclusively for datacenters.

Pause here

Open the 2025 Form 10-K. Run the request or search the filing directly, then mark the passages you would inspect. Resume when you have two candidate locations.

Two places to check

The question starts in Item 7 and leads to notes in Item 8.

Microsoft 2025 Form 10-K · source route

LOCATION

Item 7

Item 8

WHAT TO INSPECT

Material Cash Requirements and Other Obligations; the contractual-obligations table and footnotes.

Note 6 for construction commitments; Note 13 for leases.

 [Microsoft 2025 Form 10-K · Item 7, Contractual Obligations; Notes 6 and 13](#)

Which answer can the filing support?

? iClicker · Question 3 of 5

A model adds the construction, purchase, and lease rows and labels the sum "Microsoft's datacenter commitments." What should you do?

- ☐ A Use the total because all three rows concern future payments.
- ☐ B Keep the reported rows separate and check what each row includes.
- ☐ C Use only the purchase-commitments row as the total.
- ☐ D Reject the whole table because it includes debt.

The rows have different scopes

✓ iClicker · Answer 3 of 5

A

A sum of mixed rows is not a reported datacenter total.

B

Keep the rows separate and read their footnotes.

Purchase commitments primarily relate to datacenters; the lease row also covers other facilities and equipment.

C

"Primarily" does not make every purchase commitment a datacenter payment.

D

The table is useful when each relevant row is read on its own terms.

Read the reported commitments

Contractual obligations are agreements that require future payments.

Selected contractual obligations · US dollars in millions

REPORTED ROW	TOTAL DUE
Construction commitments	\$32,149
Purchase commitments	\$109,953
Operating and finance leases, including imputed interest	\$178,701

Imputed interest

The lease row includes the interest portion of future lease payments.

 [Microsoft 2025 Form 10-K · Item 7, Contractual Obligations](#)

Read what each row includes

A shared business theme does not make the rows interchangeable.

What the filing says about the selected rows

ROW	SCOPE TO PRESERVE
Construction	Item 7 points to Note 6 for property and equipment commitments.
Purchases	The footnote says these primarily relate to datacenters and exclude construction commitments above.
Leases	The row includes datacenters, offices, other facilities, equipment, and an interest portion of future payments.

 [Microsoft 2025 Form 10-K · Item 7 footnotes and Other Planned Uses of Capital](#)

Revise the claim, not the filing

Decide what an outside reader may conclude.

DRAFT CLAIM

"Microsoft has \$320.8 billion of datacenter obligations, so that is the cost of its AI expansion."

YOUR WORK

Name one supported fact and two scope errors. Rewrite the claim in two sentences.

Pause here

Read the Item 7 footnotes. Resume when you can explain why the three rows do not yield that cost.

What is wrong with the total?

? iClicker · Question 4 of 5

Which is the strongest reason not to call the sum “the cost of AI expansion”?

- ☐ A The three amounts are stated in millions.
- ☐ B All future obligations must be recorded as expenses immediately.
- ☐ C The rows include different activities and payment types; the filing supplies no such total.
- ☐ D A commitment cannot be discussed until cash is paid.

The claim exceeds the disclosure

✓ iClicker · Answer 4 of 5

- ☐ A The units matter, but converting units does not repair the scope claim.
- ☐ B The table reports future payments, not one immediate expense.
- ☒ C The rows differ in scope and type.
The filing does not label their sum as datacenter spending or the cost of AI expansion.
- ☐ D The filing reports commitments before all payments occur.

State the finding and its limit

An answer can be useful without a single invented total.



A SOURCE-BOUND RESPONSE

At June 30, 2025, Microsoft's Item 7 table reported \$32.149 billion of construction commitments and \$109.953 billion of purchase commitments. The purchase-commitments footnote says that row primarily relates to datacenters and excludes the construction row. The table also reports \$178.701 billion of lease payments, including imputed interest, for facilities and equipment that are not limited to datacenters. These rows do not establish one total cost of Microsoft's AI expansion.

 [Microsoft 2025 Form 10-K · Item 7, Contractual Obligations and footnotes](#)

Know when to stop or ask

More prompting cannot supply a figure the filing does not report.

✓ STOP WHEN

The answer identifies each relevant row, its amount and units, the source location, and the limits on a datacenter-only interpretation.

? ASK A PERSON WHEN

The task requires a datacenter-only total or a judgment about future costs that this filing does not establish.

When is the AI task complete?

? iClicker · Question 5 of 5

An assistant found the three rows and their footnotes. What should its final answer do?

- ☐ A Continue searching until it can produce a single datacenter total.
- ☐ B Report the rows and limits, then stop and flag the missing total.
- ☐ C Give only the largest row because it is most material.
- ☐ D Remove the lease row without explaining why.

A bounded answer is complete

✓ iClicker · Answer 5 of 5

A

Repeated searching cannot make the filing report a total it omits.

B

Report the supported rows and limits.

The reader can inspect the cited passages and decide whether more information is needed.

C

Size does not determine which rows answer the question.

D

Keep the relevant lease evidence and explain its mixed scope.

Use the method on another filing

Keep the business question ahead of the assistant's answer.

A repeatable method

STEP	QUESTION
1	What business question are you trying to answer?
2	Which report and passages could answer it?
3	What did the filing report, and what did you calculate or infer?
4	Where does the evidence end? Is the answer ready to use?

If the assistant gets the answer right on its first try, the work is still to inspect the source and its limits.

Finish Unit 1; prepare for Unit 2

Complete the filing work. Next, classify amounts and analyze income-statement subtotals.

Read and inspect

Chapter 5

Filing context, Apple applications, and NIKE transfer practice.

Source packet

Complete filings, extracts, and navigation aids.

Practice independently

Chapter 5 practice

Find the relevant filing information and interpret it in context.

Due date

Unit 1 review assignment (extended deadline) due Wed 9/16, 11:59 PM

RESERVE · FILING CONTEXT

More about public reporting

Use when a filing question calls for these distinctions.

Form 10-Q remains quarterly

A May 2026 SEC proposal would allow an optional six-month Form 10-S.

Periodic reporting · simplified schedule

CURRENT RULES

10-Q

10-Q

10-Q

10-K

PROPOSED OPTION

10-S

Six-month report

10-K

Annual report

Proposal, not current reporting law

A 10-Q is not a semiannual report. Check the SEC rulemaking status before applying the proposed option.

SEC · May 5 proposal · Current rulemaking status

Choose the source for the question

A company can communicate through several public channels.

What each source can add

SOURCE	USE IT TO FIND	CHECK BEFORE RELYING
SEC filing	Reported amounts, policies, and required disclosures	Form, period, and filing status
Earnings release	Timely results and management-selected measures	Whether it was filed or furnished; any non-GAAP reconciliation
Earnings call	Management's explanation and analyst questions	The company recording or transcript for exact wording

Today's boundary

Class uses SEC filings to interpret reported financial information. Other channels can add management's explanation, but they do not replace the filing evidence.

Filed and furnished are different

Both can appear in EDGAR, but the submission identifies their legal status.

Filed with the SEC

The material is part of the formal SEC filing record. The form and exhibit table identify what was filed.

Furnished to the SEC

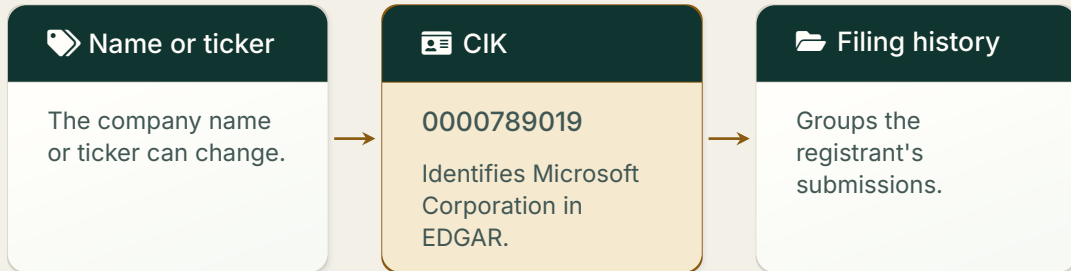
The material was provided to the SEC without automatically becoming filed material. Earnings releases are often furnished as Form 8-K exhibits.

Do not infer status from the website

Read the form and exhibit description. A company investor page can host either kind of material.

The CIK identifies the registrant

A Central Index Key (CIK) is more stable than a company name or stock ticker.



Why use the CIK?

It helps you stay with the same legal registrant when a name or ticker changes. A reorganization can create a new registrant and a new CIK.

Return to an adjustment

Connect expired insurance to the reported balances.



Record expired insurance

Northline is a fictional company; use only these facts.

Calculate insurance expense.

Northline paid \$12,000 on January 1 for one year of insurance and recorded Prepaid Insurance. It has recorded no insurance expense.

Write the December 31 adjustment.

January 1
Coverage begins

December 31
Coverage has expired

Record the adjustment

One year of the \$12,000 prepaid asset has expired.

Northline · General journal · December 31

Account	Debit	Credit
Insurance expense	\$12,000	
Prepaid insurance		\$12,000

To record one year of expired insurance coverage.

Trace the statement effects

Consider only the \$12,000 insurance adjustment.

Account for the adjustment

Assets	=	Liabilities	+	Equity
_____		_____		_____

What happens to expense and net income?

Does the adjustment change cash?

Explain the statement effects

The adjustment reports the insurance used during the year.

Northline · Effects of the adjustment

STATEMENT	ITEM	CHANGE
Income statement	Insurance expense	Up \$12,000
Income statement	Net income	Down \$12,000
Balance sheet	Prepaid insurance	Down \$12,000
Balance sheet	Equity	Down \$12,000

The other accounts

Liabilities and cash are unchanged by the adjusting entry.