

FINANCIAL ACCOUNTING

The Accounting Equation

Use these important equations to confirm that business accounts are in balance.

Assets – Liabilities = Owner's Equity

Assets = Liabilities + Owner's Equity



FINANCIAL ACCOUNTING

Statement of Cash Flows

Income statements and balance sheets are important, but it is the statement of cash flows that shows how cash came into or went out of the business during an accounting period.

Cash Inflows (cash entering the business)

- sales
- interest from investments
- interest from savings

The Business

Cash Outflows (cash leaving the business)

- operating expenses
- merchandise purchases
- supplies
- interest paid