

# FINANCIAL ACCOUNTING

## The Accounting Equation

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

$$\text{Assets} - \text{Liabilities} = \text{Owner's Equity}$$

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

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## 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.

