

5 — The cash flow statement

Reports the company's cash inflows and outflows.

- It's different from the income statement because

1) The cash flow statement reports received funds, the income statement in contrast can report funds that have not yet been received.

2) The cash flow statement reports several types of transactions not included in the income statement, dividend payment will appear in the cash flow statement.

Categories of cash flow:

Cash flow from operating activities

Similar to operating income but the goal is to measure the cash flow of business operations.

Payment to suppliers, employees, taxes, etc.

Cash flow from investing activities

Cash spent or received on investments in financial securities \neq Property, plant, equipment; dividends reinvesting purchase or sale

Cash flow from financing Activities

Related to transactions with the company's owners and creditors; loan payment, dividend payment, cash from investors.

6 — GAAP

• Generally accepted accounting principles created by Financial Accounting Standards Board.

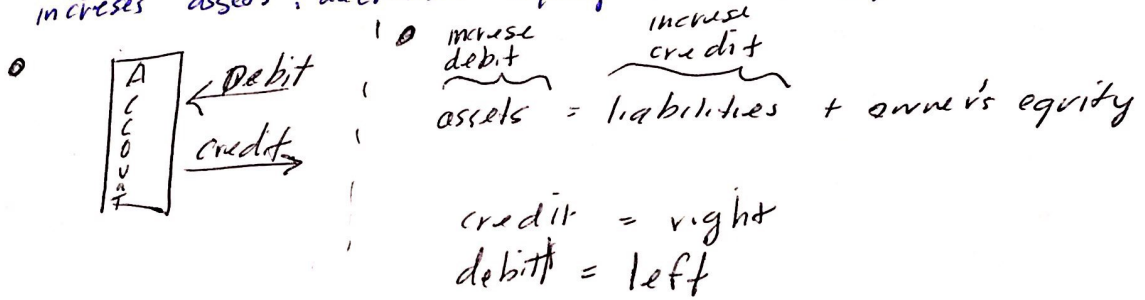
• Prevents fraudulent accounting and gives security to potential investors

B — Debits and Credits

- In GAAP we must use the double entry system.
- The double entry (journal) is important because of the accounting equation without the double entry it doesn't maintain the equivalency.

- Credit: decreases assets, increases equity and liability.

- Debit: increases assets, decreases equity and liability.



• Revenue and expense account.

We register the journal entry in the income statement and the balance sheet

- Journal entry in to revenue account \rightarrow credit

- Journal entry in to expense account \rightarrow debit

• The general ledger:

Place where journal entries are recorded

• T-accounts

Period in question	
Beginning Balance	
debit	credit
ending Balance	

- Trial Balance: is a checking system to check if the credit = debit, in a general ledger account.

- Shows balance in each account at a given point in time.