ABDM: Chapter 5,7,8

July/28/2019

5 —— The cash flow statemente

Reports the company's cash inflows and outflows.

- It's diferient from the income statement because
1) • The cash flow statement reports recieved 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 apear 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 operation. Payment to suppliers, employees, taxes, etc.

Cash flow from investing activities

cash spend or recieved on investements in financial securities FE. $\underbrace{\text{Property, plant, equipment}}_{\text{purchase or sale}}$; dividends reinvesting

Cash flow from financing Activities

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

7 —— GAAP

- Generally accepted accounting principles created by Financial accounting standards Board.
- Prevents frodulent accounting and gives security to potential investors

8 — Debits and Credits

- In GAAP we must use the double entry sistem.
- The double entry (journal) is impardant because of the accounting equation without the double entry it doesn't maintain the equivalency.
  - Credit: decreases assets, increases equity and liability.
  - Debit: increses assets, decreases equity and liability.

- ACCOUNT ← Debit
  - credit →

- $\underbrace{\text{assets}}_{\text{increse debit}} = \underbrace{\text{liabilities}}_{\text{increase credit}} + \text{owner's equity}$

  credit = right
  debitt = left

- Revenue and expense account:

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

  - Journal entry in to revenue account → credit
  - Journal entry in to expense account → debit

- The general Lodger:

  Place wher journal entrys are recorded

- T-accounts

Period	in questian
Biggining Balance debit	credit
ending Balance	

- Trial Balance: is a checking sistem to check if the credit = debit, in a general ledger account.
  - Shows balance in each account at a given point in time.