

Q74. Which of the following appropriately describes financial statements?

- a) Balance sheet is the statement of the book value of the company's financial condition. It contains two parts, the assets and liabilities. The two sides must be balanced.
- b) Cash flow statement presents the incoming and outgoing money at a period in time. It is used to determine the long-term viability of the company and its capacity to pay dividends to its investors.
- c) Profit and loss statement is also known as the income statement. This presents how revenues are converted to net income by reporting both revenues and expenses of the company for a given period of time.
- d) Statement of retained earnings reports the owner's equity. It requires information from the balance sheet and provides information for the income statement.