## Apply transaction analysis to analyze a company’s financing and investing business activities.

Recall the accounting equation (Assets = Liabilities + Stockholders’ Equity). Companies use the expanded accounting equation to record the transactions of a business. A transaction is any event that affects the financial position of the business and can be measured.

Transactions affect what the company has (assets), owes (liabilities), and/or its net worth (equity). Many events affect a company; however, businesses only record events when they can measure dollar amounts reliably, such as the purchase of a building or the sale of inventory.

Transaction Any event that affects the financial position of the business and can be measured.

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## Financing Activities for a Business

When a business starts operations, one of the first things it must do is secure financing to purchase the supplies, inventory, and equipment necessary to run its day-to-day operations.

Financing activities include the inflow of cash from investors, owners, and long-term creditors. A company may obtain financing from either its owners (equity financing) or from creditors (debt financing). Financing activities are an essential part of the start-up of any business.