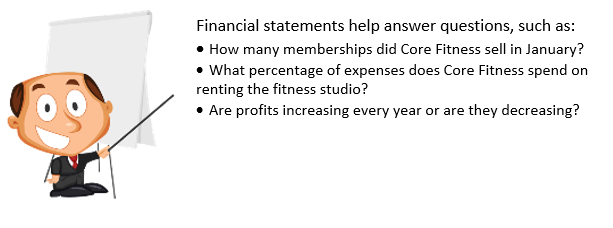
In Chapter 1, we learned how business transactions impact Core Fitness and it’s financials.

While Chapter 1 taught us how individual accounts are impacted, in order to get insight into Core Fitness’s financial health, we need to look at a consolidated view of the fitness studio’s transactions. We use Core Fitness’ **financial statements** to get an aggregated picture of the company and can analyze if it is doing well, financially.



## The Accounting Cycle

In order to go from individual transactions to the summary financial statements, **6 steps** are taken.



Every company prepares these statements for specific time periods – such as monthly and annually. After each month a new period begins and we restart the 6 steps, so the cycle repeats. This recording of transactions is known as the **Accounting Cycle.**

We completed the first step of **Identifying Transactions** in Chapter 1.

In Chapter 2, we will learn how to complete steps 2 and 3 which involve taking these transactions and recording them in two ways – **Journals and Ledgers.**