

# Key Takeaways – Day 2

- Introduced the Income Statement (IS) and the Statement of Cash Flows (SCF)
  - **Income Statement:** Reports the financial performance of a firm over a specific accounting period
  - **Statement of Cash Flows:** Explains the change in cash for a firm over a specific accounting period (based on operating, investing, and financing activities)
- Discussed two methods of constructing operating cash flows
  - Indirect method helps reconcile net income to cash from operations
- Tied the primary financial statements together (articulation)
  - Analyzed how the statements convey economic reality of a business

# Financial Statement Articulation

## Balance Sheet

<div> <div>Cash Flow Statement</div> <div>Time ↓</div> </div>	Cash <sub>0</sub>	+	Other Assets <sub>0</sub>	=	Liabilities <sub>0</sub>	+	Capital <sub>0</sub>	+	Retained Earnings <sub>0</sub>	<div> <div>Income Statement</div> </div>
	+ Operating CF								+ Revenues	
	+ Investing CF								- Expenses	
	+ Financing CF								- Dividends	
	Cash <sub>1</sub>	+	Other Assets <sub>1</sub>	=	Liabilities <sub>1</sub>	+	Capital <sub>1</sub>	+	Retained Earnings <sub>1</sub>	