

SELDOBILLCOLLECT

The 10 basics for understanding Financial Statements

1. There are **three** types of financial statements.
2. Read financial statements in **order**.
3. Some accounting terms are **interchangeable**.
4. Accountants put negative numbers in **brackets**.
5. A profit and loss statement (sometimes called an income statement) reports on performance **over** a period of time.
6. The formula for a profit and loss statement is **revenue** less expenses equals profit.
7. A balance sheet reports on the financial position at a **point** in time.
8. The formula for a balance sheet is **assets** less liabilities equals **owners'** equity.
9. The statement of cash flows reports on the cash flow **over** a period of time.
10. The formula for the cash flow statement is cash at the **beginning** of the period, plus cash flow **during** the period equals cash held at the end of the period.