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## **Financial Statements**

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**Definition:** Financial statements are reports prepared by a company's management to present the financial performance and position at a point in time. A general-purpose set of financial statements usually includes a balance sheet, income statements, statement of owner's equity, and statement of cash flows. These statements are prepared to give users outside of the company, like investors and creditors, more information about the company's financial positions. Publicly traded companies are also required to present these statements along with others to regulator agencies in a timely manner.

## **Financial Statements**

Financial statements are the main source of financial information for most decision makers. That is why financial accounting and reporting places such a high emphasis on the accuracy, reliability, and relevance of the information on these financial statements.

The balance sheet a summary of the company position on one day at a certain point in time. The balance sheet lists the assets, liabilities, and owners' equity on one specific date. In a sense, the balance sheet is a picture of the company on that date. Investors and creditors can use the balance sheet to analyze how companies are funding capital assets and operations as well as current investor information.

The income statement shows the revenue and expenses of the company over a period of time. Most companies issue annual income statement, but quarterly and semi-annual income statements are also common. Users can analyze the income statement to see if companies are operating efficiently and producing enough profit to fund their current operations and growth. The statement of owner's capital summarizes all owner investments and withdrawals from the company during a period. It also reports the current income or loss recorded in retained earnings.

Basic of financial statements

The **basic financial statements** of an enterprise include the 1) balance sheet (or **statement of financial position**), 2) income **statement**, 3) cash flow **statement**, and 4) **statement** of changes in owners' equity or stockholders' equity. The balance sheet provides a snapshot of an entity as of a particular date