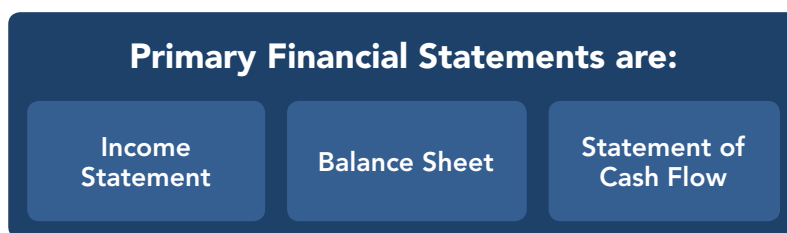


Summary

You should now have an understanding of basic financial terms, the differences between cash-based and accrual accounting, and an appreciation of when revenue and costs are recognized in the accounts. This is sufficient background information to be able to understand the financial statements that make up an organization's annual report and most internal monthly reports as well.



The most widely used financial statements are:

- **The Income Statement**—An accounting of revenue, expenses, and profit for a given period. This can also be an internal document that can be used to make management decisions about almost any activity where you have a record of the money spent and the associated return.
- **The Balance Sheet**—An itemized statement that summarizes the assets and liabilities of the business at a given date.
- **The Statement of Cash Flow**—A report that shows the effect of all transactions that involved or influenced cash but did not appear on the income statement.

This eBook has used the income statement as a basis for explaining the basic principles of accounting. If you need to interpret or prepare an income statement then you should read the free eBook 'Understanding Income Statements' which can be downloaded from www.free-management-ebooks.com.

Other free financial skills eBooks are:

- Reading a Balance Sheet
- Controlling Cash Flow
- Assessing Financial Performance
- Understanding Income Statements