

Finance 3000

Chapters 2

Introduction

- Annual report = four basic financial statements
 - balance sheet
 - income statement
 - statement of cash flows
 - statement of retained earnings
- Financial statement is accounting-based picture of financial position of the firm

Balance Sheet

- Reports firm's assets, liabilities and equity at a point in time

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$