

10 ELEMENTS OF FINANCIAL STATEMENTS

FINCASH



DEFINITION



A formal record of the financial activities of an entity. These are written reports that quantify the financial strength, performance and liquidity of a company.

Financial Statements reflect the financial effects of business transactions and events on the entity.



ASSETS

LIABILITIES

EQUITIES

REVENUES

**ELEMENTS
OF**

EXPENSES

GAINS

**FINANCIAL
STATEMENTS**

LOSSES

COMPREHENSIVE
INCOME

INVESTMENT
BY
OWNERS

DISTRIBUTIONS
TO
OWNERS



ELEMENTS OF FINANCIAL STATEMENTS (cont'd)

ASSETS

- Resources owned or controlled by the business to receive something of value in future.
- Help businesses to generate cash inflows or minimize cash outflows.

LIABILITIES

- The businesses' obligations to deliver of something value to other people and organizations besides its owners.

EQUITY

- The amount of assets remaining in the business after subtracting its liabilities.
- Represents part of the business belonging to its owners.



ELEMENTS OF FINANCIAL STATEMENTS (cont'd)

REVENUES

- The increase in net assets arising from the principal activities of the business.
- Revenue has the effect of increasing the amount of profit and net assets of the business.

EXPENSES

- The cost of assets consumed in running the primary operations of a business.
- Expenses reduce the net income and equity as they cause an immediate or expected outflow of assets from the business.

GAINS AND LOSSES

- The changes in net assets (equity) resulting from peripheral or incidental transactions except those relating to the owners of a business.
- Presented separately to indicate that they are not part of the business's principal activities.



ELEMENTS OF FINANCIAL STATEMENTS (cont'd)

COMPREHENSIVE INCOME

- The total change in equity during an accounting period from all sources, excluding any owners' investments and distributions.
- The combination of the net income and other comprehensive income that includes gains and losses from peripheral and incidental activities.

INVESTMENT BY OWNERS

- The increase in net assets (equity) caused by the transfer of something valuable from owners to a business in exchange for an ownership interest.
- Examples include cash invested by partners in a partnership firm and subscription of the shares of a company by its shareholders.

DISTRIBUTION TO OWNERS

- Any decrease in the ownership interest caused by the transfer of something valuable from the business to its owners, such as assets, services or the undertaking of liabilities.
- Examples include payment of dividends to shareholders and repurchase of issued share capital from shareholders by the issuing company.



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