

2. Income Statement

Income Statement, also known as the *Profit and Loss Statement*, reports the company's financial performance in terms of net profit or loss over a specified period. Income Statement is composed of the following two elements:

- **Income:** What the business has earned over a period (e.g. sales revenue, dividend income, etc)
- **Expense:** The cost incurred by the business over a period (e.g. salaries and wages, [depreciation](#), rental charges, etc)

Net profit or loss is arrived by deducting expenses from income.

View detailed explanation and [Example of Income Statement](#)

3. Cash Flow Statement

Cash Flow Statement, presents the movement in cash and bank balances over a period. The movement in cash flows is classified into the following segments:

- **Operating Activities:** Represents the cash flow from primary activities of a business.
- **Investing Activities:** Represents cash flow from the purchase and sale of assets other than inventories (e.g. purchase of a factory plant)
- **Financing Activities:** Represents cash flow generated or spent on raising and repaying share capital and debt together with the payments of interest and dividends.

View detailed explanation and [Example of Cash Flow Statement](#)

4. Statement of Changes in Equity

Statement of Changes in Equity, also known as the *Statement of Retained Earnings*, details the movement in owners' equity over a period. The movement in owners' equity is derived from the following components:

- Net Profit or loss during the period as reported in the [income statement](#)
- Share capital issued or repaid during the period
- Dividend payments
- Gains or losses recognized directly in equity (e.g. revaluation surpluses)
- Effects of a [change in accounting policy](#) or [correction of accounting error](#)

- See more at: [http://accounting-](http://accounting-simplified.com/financial/statements/types.html#sthash.KWWhwYV3.dpuf)

[simplified.com/financial/statements/types.html#sthash.KWWhwYV3.dpuf](http://accounting-simplified.com/financial/statements/types.html#sthash.KWWhwYV3.dpuf)