

The Four Basic Financial Statements

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Write a 300- to 700-word summary in which you do the following:

• Identify the four basic financial statements. • Describe the purpose of each of the four financial statements. • Discuss how the financial statements would be useful to internal users such as managers and employees. • Discuss how the financial statements would be useful to external users such as investors and creditors.

Format the summary consistent with APA guidelines. Provide at least two citations/references to indicate the source of the information.

There are four basic financial statements in accounting, which are as follow: a balance sheet, an income statement, a retained earnings statements, and an income of cash flows. Each of these statements has their individual purpose in the field of accounting. According to

Kimmel (2011), "...the four financial statements form the backbone of financial accounting."

The first statement is an income statement. As reported by Kimmel (2011), "an income statement reports the success or failure of the company's operations for a period of time." As explained in the book, the income statement lists the company's revenues then followed by their expenses. Then, the company can determine their net income by