Financial Statement Preparation

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1. **Starting Point: The Trial Balance**
   - After all transactions are recorded and adjusting entries made, a trial balance confirms total debits equal total credits.
2. **Preparing the Income Statement**
   - List revenues and expenses to calculate net profit or loss for the period.
3. **Preparing the Statement of Changes in Equity**
   - Shows how equity moved during the period (opening balance + net profit - drawings/dividends = closing balance).
4. **Preparing the Balance Sheet**
   - Lists assets, liabilities, and equity as of the reporting date, using the closing equity balance from the equity statement.
5. **Preparing the Cash Flow Statement**
   - Reconciles the change in cash balance by categorizing cash movements into operating, investing, and financing activities.
6. **Closing Entries**
   - Temporary accounts (revenue, expenses, drawings) are closed to retained earnings at period-end to prepare the books for the next accounting period.