

## Accounting Flashcards PDF

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What is the accounting equation?

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

What are the three main financial statements?

The three main financial statements are the Balance Sheet, Income Statement, and Cash Flow Statement.

What is the purpose of a balance sheet?

The purpose of a balance sheet is to provide a snapshot of a company's assets, liabilities, and equity at a specific point in time.

What does GAAP stand for?

GAAP stands for Generally Accepted Accounting Principles.

What is the difference between accounts payable and accounts receivable?

Accounts payable is money owed by a company to its suppliers, while accounts receivable is money owed to a company by its customers.

What is depreciation?

Depreciation is the allocation of the cost of a tangible asset over its useful life.

What is the purpose of an income statement?

The purpose of an income statement is to show a company's revenues and expenses over a specific period, resulting in net profit or loss.

What is a cash flow statement?

A cash flow statement provides information about a company's cash inflows and outflows during a specific period.

What is the difference between fixed and variable costs?

Fixed costs do not change with the level of production, while variable costs fluctuate with production levels.

What is an audit?

An audit is an examination of a company's financial statements and related operations to ensure accuracy and compliance with accounting standards.