Operational Level 1

Fundamentals of Financial Accounting

	Kinds of Business	Activities:										
1	Operating Activitie	S										
2	Investing Activities	5										
3	Financing Activitie	S										
				Income Statement			Balance	Sheet				
			1	Revenues			Current	Assets		Short Te	erm Liabi	lity
			2	Expenses			Non-Cu	rrent Ass	ets-IA	Long Te	rm Liabil	ity-FA
										Shareho	olders' Eq	uity-FA
	Cash Flow Statem	ent:										
1	Cash flows from op	eration / cash flow	vs fro	m operating activities								
2	Cash flows from in											
3	Cash flows from fi	nancing activities	3									
	Methods:											
1	Direct Method-Con	verting net income	e into	cash generated from o	peration)							
2	Indirect Method				,							
	Conversion of Net	Income/Loss into	o 'Ca	sh Generated from Op	erations':							
1	1 Net Sales-Cash Collection from Customers(Inflow)											
2												
3	Operating Expense			/								
4	Interest Expense-In		*									
5	Tax Expense-Tax P		,									
6	Other Income-Inco	1 1	V)									

Operational Level 1

Fundamentals of Financial Accounting

	Cash Collection	from Custor	mers:		
	Net Sales		1,200,000	1,200,000	
	Accounts Receiva	able(Beg)	100,000	100,000	
	Accounts Receiva	able(End)	120,000	40,000	
			1,080,000	1,160,000	
			100,000	100,000	
	Cash Collection		1,180,000	1,260,000	
	Cash Col	lection from	Customer = Net Sa	lles +[-Increase in Accou +Decrease in Accou	
6	Commission Co	llection:			
6	Commission Co Commission Inco		100,000	100,000	
6		ome	100,000 10,000	100,000 10,000	
6	Commission Inco	ome eivable-Beg	,		
6	Commission Inco Commission Rec	ome eivable-Beg	10,000	10,000	
6	Commission Inco Commission Rec Commission Rec Cash Collection	ome eivable-Beg eivable-End	10,000 15,000 95,000	10,000 2,000	nission Receivab

Fundamentals of Financial Accounting

2	Cash Pa	aid to Supplier:					
	1	Net Purchases:					
		Cost of Goods Sold	200,000	200,000			
		Inventory-Beg	20,000	20,000			
		Inventory-End	35,000	2,000			
		Net Purch	nases = Cost of Go	oods Sold +[+Increa	se in Inver	itory	1
	-			•	rease in In	e	
	2	Cash Paid to Suppl	ier:				
		Net Purchases		140,000	140,000		
		Accounts Payable-Be	eg	10,000	10,000		
		Accounts Payable-E	nd	20,000	1,000		
		Cash Paid to S	upplier = Net Pure	chases +[-Increase	in Account	s Payabl	e
				+Decreas	e in Accou	nts Paya	ble]
	Cash	Paid to Supplier= Co	st of Goods Sold +	-[+Increase in Inver	ntory/-Dec	rease in 1	Inventor

			-	1	0 1	s - Non Cash Ez Expense/-Incr	1 (
	,	1 /	,	L		crease in Prepa		
4	Interest	Paid:						
tere 5	st Paid = Tax Pai		Expense +	+Decrease	n Accrued	Interest/-Incre	ase in Acc	crued Interes