

# THE FINANCIAL STATEMENTS RELATIONSHIP



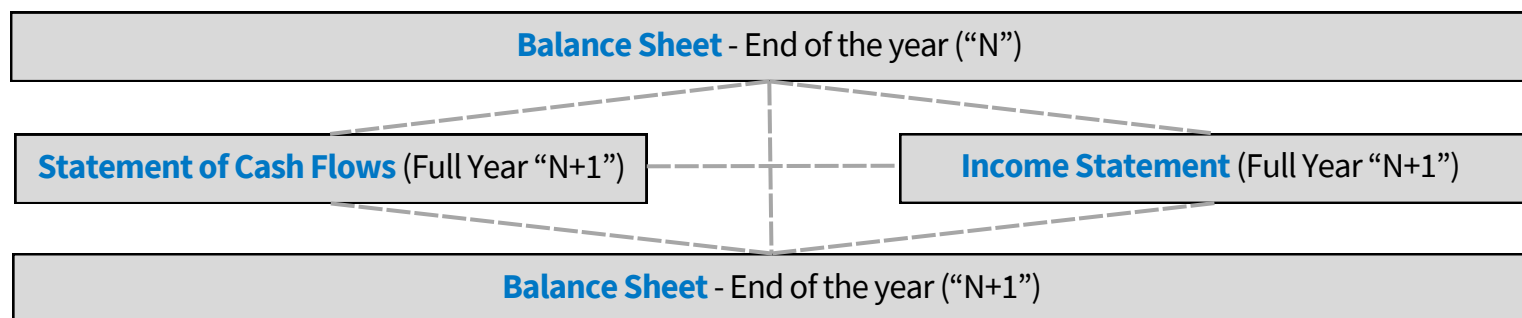
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The three pivotal financial statements released by companies are the **Income Statement**, the **Balance Sheet**, and the **Statement of Cash Flows**. While each statement provides valuable insights on its own, understanding the links between them allows for a deeper analysis of a company's financial health and can guide strategic decision-making for businesses, analysts, and investors. In this cheat sheet, we'll delve into the intricate interconnections between them. For a deeper understanding of each individual statement, I recommend referring to my specialized cheat sheets on each topic.

We will now see how the various financial statements are interlinked:



Let's we start with the Balance Sheet fundamental equation to get a snapshot of the Balance Sheet at a specific time (eg. End of Year "N"):

<b>ASSETS</b> <ul style="list-style-type: none"><li>• Current Assets</li><li>• Non-Current Assets</li></ul>	=	<b>LIABILITIES</b> <ul style="list-style-type: none"><li>• Current Liabilities</li><li>• Non-Current Liabilities</li></ul>	+	<b>EQUITY</b> <ul style="list-style-type: none"><li>• Owner Equity</li><li>• Retained Earnings</li></ul>
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- we split the Assets between "Cash" and "Other Assets" so we can link the Cash element with the **Statement of Cash Flows**
- we split the Equity between "Owners Equity" and "Retained Earnings" so we can link the Retained Earnings to the **Income Statement**

We can now link the 3 main financials statements:

