



BASIC ACCOUNTING

Rules

RULE # 1

Accounting information must be useful to the user of the information.

Information can only be useful if it is both relevant and reliable.

RULE # 2

Accounting information must be understandable.

Financial statements are only useful to financial statement users if they are understandable. To be understandable, financial statements must be consistent with past reports of the same company and comparable to other companies.

Using accounting terms generally accepted.

RULE # 3

The Financial Statements are the primary means of communicating useful financial information.

The primary means of communicating useful financial information are the main business financial statements called the **balance sheet**, the **income statement**, and the **statement of cash flows**.

And I add, **notes & comments**