

Timing bridge

EARNED / INCURRED

B: revenue 1,200 - expenses 600
= profit 600.

RECEIVED / PAID

B: cash 700 - cash 450
= net operating cash 250.

WHY DIFFERENT?

Receivable 500; payable 150.
Profit - operating cash = 350.

CLOSE THE POSITION

Cash 2,250 + receivable 500 = 2,750.
Payable 150 + equity 2,600 = 2,750.

Do not confuse a period flow with a closing balance.