

# [Understanding the annual report and 10-k](https://assignbuster.com/understanding-the-annual-report-and-10-k/)

[](https://assignbuster.com/)[Finance](https://assignbuster.com/essay-subjects/finance/)

Essay-Finance and accounting Each company or parastatal that is involved in economic transaction prepares a periodic financial report, be either monthly or annually. A form 10-K is an annual report required by the U. S Securities and Exchange Commission (SEC). It gives a comprehensive summary of the company’s financial performance. However, the form 10-K is very much different from the Glossy-Annual report send by the company to its shareholders. The 10-K includes information of the company such as history, equity, executive compensation, subsidiaries and audited financial statements.   
There are three basic approaches for valuing inventory are; first in - First out, this approach involves basing the cost of goods sold upon the cost of material bought in earlier periods, while the cost of inventory is based on the cost of materials bought later in the year. The second approach is Last in - First out, it determines the Cost of goods based on the cost of materials bought towards the end of the period. However, the inventory is based on the cost of materials bought earlier in the year. Lastly, Weighted average, this bases the cost of goods and the inventory on average cost of all units bought during the period. This is the most used method of inventory by this company.   
Inventory turnover for the last three years can be computed by use of the formular=. Cost of goods =$ 9, 499, 890 +$ 8, 758, 503 $ +7, 828, 793=＄26087186   
Average inventory=($ 2, 803, 809 $ 2, 751, 398 $ 2, 413, 791)=＄7968998. So the inventory turnover ratio will be = 3. 274. From the records it is clearly evident that there has been a gradual increase in the average inventory and the cost of goods simultaneously.   
Any business firm has two categories of liabilities, current and long-term liabilities. The current liabilities of the BBB Company include Accounts payable Accrued expenses and other current liabilities Merchandise credit and gift card liabilities, and Current income taxes payable. Long term liabilities of the company include deferred rent and Income taxes payable.   
Stockholders equity is one of the three major sections of a corporations balance sheet. Stockholders equity is the difference between the reported amounts of a corporations assets and liabilities. Stockholders equity is subdivided into components: paid-in capital or contributed capital, retained earnings, and treasury stock,-if any. The paid-in capital component reports the amounts the corporation received when it issued its common and preferred stock. Retained earnings reports the cumulative net income since the start of the corporation minus the dividends declared since the start of the corporation. Treasury stock (cost method) reports the amount paid by the corporation to purchase its own shares of stock.   
10-K is an important financial document. It gives a comprehensive summary of the company’s financial performance. However, the form 10-K is very much different from the Glossy-Annual report send by the company to its shareholders.   
Work cited   
Kwang June Lee. Purchase Obligations, Earnings Persistence and Stock Returns. University of California, 2010. Print.