Financial statement

Finance

Financial ment Financial ment The various activities included in the ment of Cash Flows The ment of cash flows has a number of activities, which include investing, operating, and financing. The operating cash flow activities refer to the quantity of money generated from the daily business operations. It is that amount of money accrued from making, selling, or offering products or services to the potential customers. They are the accounts or activities found on the income statement, by adding all the money gotten from the customers minus the monthly expenses.

The investing activities are those amounts generated by a company's vehicle or equipment purchases, or any property or buildings owned by the business. They are found in the Asset part of the balance sheet. These equipment purchases are regarded as long-term and are documented for many years (Kieso, Weygandt & Warfield, 2014).

The financing activities on the other hand refer to the cash flow that is affected by the decreases or increases to equity. It simply means the quantity of cash flow affected by securing a loan or by paying down debt from a lending institution or an owner. Such activities are in the Equity and liability section of the balance sheet. Here, decreases and increases can be a bit deceiving if viewed at a bad or good perspective. This is the most important activity of the cash flow as it keeps the business going and informs the executive on what should be done on avoided for the continuity of the business.

Why disclosures to financial statements so important

Disclosures to financial statements are vital as lenders use a variety of them from a private initiative statement when they need to determine whether the entity ought to get a loan; distinctive financial statements basing on the new overall accepted Accounting Standards for Private Enterprises (ASPE) may possibly meet those requirements. However, as financial statements are prepared for private enterprises, they must be in a way that they maintain the confidence and trust of lenders, thus additional disclosures may be advantageous in getting financing (Benjamin & Stanga, 1997).

References

Kieso, D. E., Weygandt, J. J., & Warfield, T. D. (2014). Intermediate Accounting. Hoboken: Wiley.

Benjamin, J. J., & Stanga, K. G. (1997). Differences in disclosure needs of major users of financial statements. Accounting and Business Research, 7(27), 187-192.