

Good accounting essay example

[Business](#), [Management](#)



Financial Management

Financial Management, Cash Flow and Accounting Principles

Accounting and finance have a very important and key role in any form of business. Accounting statements of the business show the performance and the position of the business in a proper way. Properly created Statement of Comprehensive Income is very helpful for the management and all the stakeholders of the business. It helps in analyzing the profitability of the business for the accounting year. It helps the management to analyze the expenses and the income of the business. Moreover, the potential investors may also consult Income Statement before investing in the business.

Statement of Financial Position shows the ratio of Debt and Equity in the business. Like Income Statement, Balance Sheet also helps in making future decisions by management, current and potential investors.

Accounting basics can be defined as knowing the Accounting Equation because it is the root of accounting. Accounting equations consists of these three elements, “ $Assets = Liabilities + Capital$ ” and all other key terms comes under these three main elements. Accounting equation also represents the Balance Sheet of any business. Another important accounting basic is to understand the terminology of Debit and Credit. Debit means increment in any aspect and credit means reduction in any aspect.

Furthermore, Accounting Standards are applied during the preparation of Accounting Statements of the business. Another important accounting basic is to understand the accounting cycle from the entry in day books to the financial statements.

Financial analysis is the most vital part of any business because it relates to

the decision making of the management of business. Financial analysis normally deals with the future investment proposals regarding their feasibility, budgeting and evaluation of the business. Another important aspect of financial analysis is to maintain the favorable capital structure of the business to insure the availability of cash for the daily use. Moreover, the capital structure is also very important to the shareholders of the business because in case of higher debt in the business the right issue of share may face failure. Financial analysis also indicates the management to use proper way of financing.

Budgets are one of the important parts of making decisions by lower as well as upper management of the business. The key element in making a budget with limited sources is to give priority to the most important parts of the business. Budgets made by upper management of the business are normally taken as a burden and reduces the motivation level of lower management. To maintain the motivation level of the employees, upper management must request the lower management to make budgets for their own departments. After collecting those budgets, management must reconcile those budgets and eliminate the element of ease in those budgets because lower management will always try to get more budgets. Moreover, management of business must check the performance of the departments by implementing Standard Costing Method and revise budgets when needed.

Planning of the business operations must be made with great care and efficacy. At the planning stage, management of business must collect all the relevant data and information needed to make a business plan. All the research and development must be made in the planning phase of any

project. The planning process include the planning of labor skills and their rate, availability of raw material and their prices, finished goods prices and their marketing plan and most importantly the availability of potential customers. Moreover, some companies also plan for the display of goods in the shopping malls for best revenues.