Reporting practices and ethics in financial management

Business, Management

Financial management requires ethical standards and reporting practices. Financial management is defined as the management of the finances of a business or organization in order to achieve financial objectives. The key objectives of financial management are to create wealth for the organization, generate a positive cash flow, and provide an adequate return on investments. In order for a health care organization to receive federal funds, they are required to have an effective financial management system. If an organization fails to accurately maintain their financial records, this could cause the organization to lose money.

Although there are some powers that be that stress only three elements, there are four elements that are standard in financial management. The four elements of financial management are planning, controlling, organizing and directing, and decision making. The purpose of the planning element of financial management is to identify objectives and then to identify the steps required for accomplishing these objectives. A financial manager identifies the steps that must be taken to accomplish the organization's objectives.

The purpose of the controlling element of financial management is to make sure that plans are being followed. The financial manager makes sure that each area of the organization is following the plans that have been established by interacting with other managers within the organization. Managers can also make sure that each area of the organization is following the plans that have been established by studying current reports and comparing them with reports from the past. The purpose of the organizing

and directing element of financial management is to make sure effective resource use and provide daily supervision.

The financial manager decides how to use the resources of the organization to effectively carry out the plans that have been established when organizing. Directing calls for the manager to work on a daily basis in order to keep the outcome of the organizing operating efficiently. Decision making is the element that occurs parallel to planning, organizing, directing, and controlling. The purpose of the decision making element of financial management is to make informed choices. The financial manager will make choices between existing alternatives (Baker & Baker, 2011).

Accounting and financial professionals must abide by ethical standards that control what kind of business they perform, who they provide services to, and how they make use of their skills. Ethical standards are determined mainly by professional accounting and finance organizations and the Financial Accounting Standards Board (FASB). Financial managers, whether they plan to complete their own accounting services or hire outsourced accountants, should be aware of accounting principles and general financial ethical standards so they can maintain a positive status for their organizations (Morley, 2012).

Generally accepted accounting principles are standards that determine how accountants in the United States (U. S.) arrange and carry out their reports. Accounting records must be seen by a number of people outside of the organization for the purpose of making the information more clear. If each

company created its own accounting reporting methods, comparing financial statements would be inefficient and hiding information would be easier. According to the FASB, “ entities such as the U. S. Securities Exchange Commission and the American Institute of Certified Public Accountants recognize FASB's authority to set standards” (Morley, 2012).