

# [Good case study on accounting analysis of baidu inc](https://assignbuster.com/good-case-study-on-accounting-analysis-of-baidu-inc/)

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## Business Analysis Using Financial statement

We conducted an analysis to determine if Baidu is facing critical accounting assumptions. They represent the basic elements that should be put into consideration when preparing accounting reports. They include the recognition of the trreatment of the various items in the income statement and the cash cashflows. The treatement of various items as presented in them . inorder to prove this we carried a critical examination of Baidu financial statements and focused mainly on the income statement and the cashflows statement. both of these statements have been prepared according to the accounting standards set by the U. S GAAP which is the the accountion system used by Baidu. We found out that the treament of the revenues was made when the y were earned and not when theywerereceived. Expenditures were recognized when they were recorded when they were incurred and not when they were paid. the recognition of items like the tax income were made in accordance with the tax regulations of China because this is where the company operates from. there were disclosures on the equity of the company ahich was made using the set out standard of separate indetification and not included in the calculation of the retained earnings of the company.   
One of the crucial requirement is to determine whether the company faced any material aspects of mannipulation. manipulation is inherent in many accounting procedures and we did an operation check to indetify if Baidu faced such manipulations from its management. we looked at the governance of Baidu, the share options of the management , third party relations and also at the debt covenants both longterm and shortterm. Baidu company has a lot of acquistions from the year 2011, 2012 and 2013 and has expanded significantly. this may be a loophole for the management to conduct fraudelent actions. However, the management has provided a detailed analysis of the aqcquisitions made. in the company there are no takeover threats as the company does not allow them.   
Inorder to determine whether there was any maanipulations made. in accounting manipulations are major. appendix 1. shows that the managers of baidu have no manipulation intentions. the managers and other board directors have share options that they can only exercise after five years therefore they are fully concentrated in the growth of the organisation.   
Inorder to examine the critical accounting assumptions that the company used we loooked income tax recognition, revenue recognition, consolidation requirements of companies and the stock issue and repurchase of stock options and there were all in agreement with the outlined U. S GAAP. although in 2013 there are two currencies this is because the company dropped one of its associates and acquired a 100%control of one in U. S. A. Baidu inc. has stable inventory turnover, and credit turover according to the calculations carried out below.   
The differences between the operating cashflows and the net income do not suggest any potential problems in accounting. The main difference is between depreciation and amortization, but depreciation and amortization were relatively consistent with Profit plant and equipment and intangible asset amount   
Some of the non recuring items in bido inc. are the purchase considerations of the subsidiary companies. the legal costs that were incurred like the compensations incurred in the particular cases not decided by the courtsThe costs are very significant and can cost accounting problems in 2012-2013. Bidu inc. cannot determine the amount it expects from the cases pending in court they have just offered an assumption.   
Finally, according to the analysis we carried out the accounting statements appropriately reflect the expected performance and to support this we calculated the following financial analysis to prove that the company will be a going concern as anticipated in its 2013 to 201

## Accounting manipulation

Ratio analysis