

Accounting

Finance



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Accounting al Affiliation) 4. The ment of cash flows is important because it provides information about the annual outflows and inflows of cash of a company (Coyle, 2000). Therefore, the statement of cash flows is crucial because it helps in identifying the cash inflow's sources and its utilization. Additionally, the statement is important because it helps in management for cash planning and maintenance of proper matching between the cash outflows and inflows. The cash flow statement also report the cash used in various investing activities like purchasing fixed assets. Companies report the received cash through various financial activities like debentures, issuing of shares, and raising loans. Failing to provide the cash flow statement, the company will lack the proper information on telling the sources of cash and its use. Additionally, the company will not have adequate planning tool for its business success in the long term (“ Cash flow statements”, 2000).

5.

To improve operations, I would compare the expenses that accumulate for a given operation to its budget and provide management warning if the expenses appear to be ahead of projections (Lawrence, 2004). This will give the company time to control cost over the remaining part of the project. I would also approach the client about the increase in billing to cover the cost overrun. Assuming the costs are reimbursed to the clients, I would carry out cost precision where the customer will pay all the expenses incurred plus the revenue. Some of the accounting activities that I would take into consideration will be the cost of materials, cost of labor, and overhead. I would use cost information history to arrive at standard rates and then assign this standard costs to jobs based on the activity units (Drury, 2002).

6.

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I will allocate the manufacturing overhead cost via Departmental machine hours (Innes & Mitchell, 2003). This is because the manufacturing companies studies and controls the time for direct labour and motion. They have started using machines to replace the direct labor. Using machines increases the factory overhead due to machinery depreciation, machinery maintenance, and set up of machines. Reducing the direct labor and increasing the manufacturing overhead, the correlation between the manufacturing overhead and direct labour tends to wane. Therefore, the logical response is to allocate manufacturing overhead based on the machine hours rather than direct labor hours (Carroll, 2004).

7.

I would use break-even analysis to determine the optimum output level below which will not be profitable for a company to produce (Cafferky & Wentworth, 2010). I would also determine the target capacity for the company to get the benefit of the lowest cost of production unit.

Additionally, the break-even analysis will determine the lowest cost for a certain output level. With the help of break-even analysis, I would help the company in deciding the type of services and product that the company needs to produce. Consequently, I would influence the price and cost changes on the firm's profit using the technique of break-even (Hammel & Goulet, 2009).

8.

Budgeting normally represent an in-depth analysis of how an organization is expected to spend its cash in future period. Most companies create budget yearly. This is important because it helps them outline the needs for each business department (Mason, 2011). Using yearly budget also limits the time

companies spend managing and creating the capital resources. Budgeting is important because it helps organization plan for the expansion and growth of businesses. Companies also budget to improve capital. The capital saved may be used during economic depressions as a safety net to pay the regular expenses of businesses. Companies budget for the next financial year by gathering and collecting information from the accounting department of a company and create simple processes to create and manage budget. Collection and gathering of information is done using an accounting software package (Moose, 2007).

Reference

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