Introduction to financial reporting

Business

Financial Reporting Financial reports are the documents and records that you put together to track and review how much money your business is making (or not).

The purpose of financial reporting is to deliver this information to the lenders and shareowners (the stakeholders) of your business. If someone else is supporting part of your business, financial reporting must be part of the essential contract between you and them. Your lenders and investors have the right to know if their money is being spent wisely and returning a profit. Financial statements should be understandable, relevant, reliable and comparable.

Reported assets, liabilities, equity, income and expenses are directly related to an organization's financial position. Financial reporting typically include four basic financial statements, accompanied by a management discussion and analysis: 1.

Statement of Financial Position: also referred to as a balance sheet, reports on a company's assets, liabilities, and ownership equity at a given point in time. 2. Statement of Comprehensive Income: also referred to as Profit and Loss statement (or a " P&L"), reports on a company's income, expenses, and profits over a period of time.

A Profit ; Loss statement provides information on the operation of the enterprise. These include sale and the various expenses incurred during the processing state.

3. Statement of Changes in Equity: explains the changes of the company's equity throughout the reporting period 4. Statement of cash flows: reports on

a company's cash flow activities, particularly its operating, investing and financing activities. The notes typically describe each item on the balance sheet, income statement and cash flow statement in further detail. Notes to financial statements are considered an integral part of the financial statements.