

XYZ pharmaceutical

Finance



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One of the easiest ways for the company to receive free media attention is through media events. Taking this into account, XYZ Pharmaceutical privatelimited organized a press conference. Whether you're teaming up with several sponsors to help the less fortunate or holding a press conference to announce a new product's release, press conference can go a long way in giving you a much needed cushion in this cut throat competition.

Financial statements can help the company immensely in finding out the financial position of the company at a given point of time. As organizing a press conference requires lots of money, it is pivotal to know the financial position of the company as well as the financial performance of the company over a given period of time.

To answer the above questions the accountant prepares two major financial statements, the balance sheet and the income statement. The balance sheet shows the financial position of the company at a given point of time. It provides a snapshot and may be regarded as a static picture. If your balance sheet is not depicting a rosy picture, organizing a press conference can worsen it further. On the other hand, the income statement reflects the performance of the company over a period of time. If organizing a press conference can improve the current situation, it is worthwhile taking a risk.

Financial statements contain a wealth of information, which, if properly analyzed and interpreted, can provide valuable insights into a XYZ company's performance and position. Analysis of financial statements is of <https://assignbuster.com/xyz-pharmaceutical/>

interest to lenders (short-term as well as long-term), investors, security analysts and others.

Financial statement analysis may be done for variety of purposes, which may range from a simple analysis of the short-term liquidity position of the firm to a comprehensive assessment of the strengths and weaknesses of the firm in various areas.

XYZ Company will classify the media event on balance sheet. Broadly speaking, assets represent resources, which are of some value to the company. Fixed assets have two characteristics: they are acquired for use over relatively long periods for carrying on the operation of the company and they are not ordinarily meant for resale. That's why, a successful organization of media event by XYZ Company will yield long-term benefits to the XYZ company.

On the other side of the coin, company can also term this media event in investments section of balance sheet. Investments are financial securities owned by the company. Some investments represent long-term commitment of funds. Other investments are short-term in nature and may rightly be classified under current assets for managerial purposes.

In addition, XYZ Company can also termed it as miscellaneous expenditures and losses. Miscellaneous expenditures represent certain outlays such as preliminary expenses and pre-operative expenses, which have not been written off. From the accounting point of view, a loss represents a decrease

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in company's equity. Hence if a loss occur, or in other words media event turn out to be a flop show, the company's equity should be reduced by that amount.

The income statement, also called the profit and loss account, is the accounting report, which summarizes the revenues, expenses and the difference between them for an accounting period. Technically, the income statement is an adjunct to the balance sheet because it provides details relating to net income, which represents the change in company's equity between two successive balance sheets plus dividends.

Yet, in practice it is often considered to be more important than the balance sheet itself, because the details of revenues and expenses provided in the income statement shed considerable light on the performance of the business. The problem arises when company has to determine the expenses for a given accounting period. To examine this problem, company requires distinguishing between expenditure and expense.

Expenditure occurs when an asset or service is required. This may entail cash payment, or exchange of asset or incurrence of liability. An expense, on the other hand, is a different concept. It represents expired cost. To understand the relationship between expenditures and expenses, four types of events need to be examined:

1-Expenditures which are also the expenses during the current account period.

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2-Prior expenditures which become expenses during the current accounting period. Such expenditures appear as assets on the opening balance sheet of the current accounting period.

3-Expenditures during the current accounting period, which will become expenses in future years. These will appear as assets in the closing balance sheet of the current accounting year.

4-Expenses during the current accounting period, which remain unpaid for till the end of the period, when they will be represented by liabilities.

In order to know the results of the business operations and financial positions of the firm periodically, time is divided into segments referred to as accounting periods. Income is measured for these periods and the financial position is assessed at the end of an accounting period. The accounting period used for external reporting is usually one year. It is referred to as the financial year and is chosen mainly on the basis of the business characteristics of the firm and tax considerations.