

Analysis tools course work

[Business](#), [Company](#)



ANALYSIS TOOLS

Owners of businesses are always looking for the best ways to make their business decisions. Accounting information is one of the tools that can be of great help to business managers in making decisions concerning the operations of the business (Bragg, 2011). In accounting, analysis refers to the assessment of the profitability, viability and stability of a business. These assessments are carried out by professionals in the accounting arm of the business; they prepare reports using ratios that make use of the information acquired from the financial statements and other reports of the company. These are then presented to the managers, who use it as a basis in their decision making.

The use of the correct analysis tools is important because the analysis that comes from the various reports, are used to assess the firms profitability. This refers to the firm's ability to earn income and sustain growth. The firm's solvency, this is the firm's ability to pay its obligation to its creditors in the long run. The firm's liquidity, this refers to the ability to maintain a positive cash flow. The firm's stability, this shows the ability of the firm to be in business without sustaining losses in its long run operation. ((Kieso, Weygant & Warfield, 2007). When the above mentioned assessments have been made by the financial or accounting arm of a firm, the managers can be able to make critical decisions as to whether they need more workers or not, which decisions to make in terms of cost controls and many other situations. Therefore, if the information presented to the managers is wrong in relation profitability, solvency, stability and liquidity, the managers will be

bound to make the wrong decisions if they use the presented data as a base of their decision.

Therefore, accurate accounting analysis tools will be of great significance to both the managers and the accounting arm of the organization (Bragg, 2011). This can be based on the fact that managers rely on the employees that deal with accounting to present accurate and valid information, which will be used to make critical decisions that determine how the organization will operate in the future.

REFERENCES

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Bragg, S. (2011). “ Cost Reduction Analysis: Tools and Strategies.” New Jersey, NJ: Wiley.