

# Accounting and financial statements critical thinking

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Since the goal of not-for-profit organizations differs from the of shareholder value maximization that is common for for-profit companies, financial reporting for not-for-profit organizations requires a different approach. The basic financial statements for not-for-profit organizations are: the statement of financial position, the statement of activities, the statement of cash flows and the notes to the financial statements, which have slightly different specifications than the financial statements for for-profit corporations (Ruppel, 2002).

Good quality financial statements are often the key element in reassuring not-for-profit organizations' investors or donors. Financial statements provide an opportunity to explore the current status of the company, as well as its historical development, which are summarized in a standardized and nearly unbiased way. High quality financial statements also signal investors that the company is committed to information transparency and does not have reasons to hide anything from the donors. Such attitude contributes to developing trust relationships with the donors and reassures them in the company's credibility.

Since the quality of financial reporting is crucial for establishing stronger relationships with donors and other stakeholders, the reputation and experience of the accounting company that performs financial reporting often serves as an assurance of the company's trustworthiness. The century-long history of BDO and its global presence ensures that the company possesses an extensive knowledge of accounting as well as a profound experience in dealing with different types of organizations. Therefore, the

not-for-profit organization under consideration can greatly benefit from the knowledge pool of BDO and its impeccable reputation that helps to reassure the donors and to send a positive message to the outside community. This fact is especially important for not-for-profit organizations, since they cannot attract financing by promising high returns, but by developing strong relationships with potential investors. It is important to note, however, that due to the regional scope of the not-for-profit organization discussed BDO accountants are expected not only to have an extensive international expertise, but also a profound knowledge of local peculiarities.

## **References**

Ruppel, Warren. Not-for-Profit Accounting Made Easy. New York, NY: John Wiley & Sons, 2002. Print.