

Good example of essay on budgeting issues

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



Financial reports of a company have a remarkable communication impact to the owners, customers, decision makers and the investors. They are key indicators of the performance index of a company that gives insights to the management to rectify the operational flaws. This paper explores Georgia power company financial reports to identify the challenges in its operations. One of the significant reasons for financial report analysis is to give reliable information that enable effective budgeting for smooth running of the company operations (Peter, 1996, p 59).

According to the October 2013 quarterly reports, the Georgia power company has experienced a decrease in the earnings as compared to 2012. This is due to a decrease in the sales of electricity in kilowatt-hours, which are inevitable because weather condition changes directly affect demand for electricity. It is worth noting that the company generates much of its revenue from shares, but primarily from electricity unit sales. According to the 2012 financial report, the company shows an increase in performance from the previous years. For instance, the company indicates an increase of 2% in dividend earnings on shares and preference stock relative to the previous year, 2011. The report shows an improvement in revenues from 2011 to 2012 i. e. 2. 1 % increase in 2012 compared to 2011 (Georgia Power Company, 2012, p 3).

The report indicates several factors that may have great implication in the operations and the profits of the company. The economic conditions are quite unpredictable especially due to the rise of fuel costs that the company uses its plants. The slight decrease in earnings for the third quarter of 2013 is attributed to high operational expenses on fuel, which is a major challenge

to the company. Georgia Power Company has a strategy to expand its plants; therefore, the need to finance the developments has made the company to increase its kilowatt-hour base rate. This will probably decrease the sales due to high cost to the customers (Georgia Power Company, 2012, p 5).

It is worth noting the environmental concerns raised by the government and other organizations. The concern over the environment has made the federal government to enact regulations that may affect the company operations and earning in the end. This means a reduction in revenue due to increased cost in keeping compliant with environmental laws. The above two issues present a remarkable challenge to the power company (John and George, 1996, p 4).

Investors speculating to engage with the company should be aware of the environmental costs that are most likely to reduce profit margins of Georgia power corporation. The effects arising from this issue should be of great concern because the implications of an environmental maintenance obligation are long term and are financed from the company income.

Increase in cost leads to lower profit margins hence not very attractive to the investors.

If I were a member of the corporation management, I would advise the company address the issue like an externality. An externality can be mitigated by incorporating it in the pricing strategy such that the price of a unit of power includes a given proportion to cover the effects of pollution. This is likely to prevent restrictions by the government on the production operations that may reduce the company profitability and investor

attractiveness (Peter, 1996, p 109).

As an employee, I would advocate for efficient customer service to maintain the sales when the prices are high. This will maintain a customer base hence a constant return on sales and high profit margins despite the extra externality cost. The investors are most likely to remain attracted to the investment operations with the Georgia power company in the share market (Peter, 1996, p 63).

Works cited

Georgia Power Company. 2012 Annual Report. December 31st 2012. Web. November 20th 2013

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