

Online discussion for accounting class

[Finance](#)



A company that obtains 20% more net income than the previous year has improved its operating performance. Net income is a measure of the profitability of the company. The desired outcome for any corporation is to have the largest net income possible. A higher net income is a trend that the company should pursue every year.

The net income of the company increased due to the fact that the sales of the company increased or the cost structure of the firm decreased. Three ways to reduce the cost structure of the company is by lowering labor expenses, materials costs, and the overhead of the firm.

The financial performance of a company can be analyzed either using single date statements or by comparing the performance across time. The four financial statements are the income statement, balance sheet, statement of retained earnings, and statement of cash flow (Weygandt, Kieso, Kimmel, 2002). These statements provide a summary of the financial performance of a company during a financial period. The balance sheet shows the position of the company at a specific point in time. The use of ratio analysis is one of the best ways to evaluate the performance of a company during a period. Another methodology to assess the performance of a company is by using comparative statements. Two financial techniques that can be used to compare financial statements are vertical and horizontal analysis. I think that techniques that compare performance across time are more effective because they show trends in financial performance. Companies that have rising performance across time are more desirable than firms that have declining performance.

Reference

<https://assignbuster.com/online-discussion-for-accounting-class/>

Weygandt, J., Kieso, D., Kimmel, P. (2002). Accounting Principles (6th ed.).
New York: John Wiley & Sons.