

Discussion question

Finance



Discussion Question How the organizational goals influence the preparation and evaluation of pro forma financial statements Researchers in the field of accounting associate most of the necessity for a pro forma financial statement to the projected plans of the company (Canes, 2004). This means that the organizational goals of a company should strongly influence the preparation of pro forma financial statements and the evaluation of it as well. This is because in most cases, future projections, strategies and plans of the company is embedded in their organizational goals. If for instance the company has any plans of making new acquisitions as a way of projecting their organizational goals for medium term growth and development, there is the tendency that while preparing the pro forma financial statement of the company, the assets and liabilities of the targeted company to be acquired will be factored in the financial statement.

How data selection eventually relate to legal and ethical considerations According to the generally accepted accounting principles (GAAP), there are several laid down regulations that should guide the preparation of financial statements by companies. Any practices that seem to go contrary to these standards are considered as illegal and unethical. It is for this reason that caution always needs to be taken when deciding on the selection of data for pro forma financial statements. In the first place, it is important for the company to realize that data that will be considered for inclusion would only be those that have been certified by accountants as completed deals. This means that all data that comes from uncompleted transactions should not be considered. What is more, investors must be made aware of the difference between pro forma figures and those derived from the generally accepted accounting principles (GAAP). This means that under no circumstance should <https://assignbuster.com/discussion-question-essay-samples-34/>

investors be deceived to be made to take projected data as actual and existing data.

Methods that a company can implement to ensure the integrity of the data

In order to ensure integrity and sanity in the accounting field, several efforts have been made in reference to the introduction of a number of accounting methods. One of such similar software was introduced by Microsoft (Canes, 2004). These are good interventions but analysts have advised that companies should always look into the reliability and accuracy associated with such accounting methods implementing them. This is an advice that holds very much for the present company as a way of ensuring integrity of its data used. Secondly, it is advised that the company publishes and keeps two separate financial statements. One of this should be the pro forma financial statement while the other will be the actual GAAP financial statement. This practice would actually go a long way to consolidate the willingness of the company to ensuring that it is not in anyway ready to compromise on the integrity of stakeholders by dealing with them with the unapproved format of financial statement. Finally, it is strongly suggested that in all cases where the company would have to deal with investors, it should be only the GAAP backed financial statement that should be used. The pro forma financial statement should come in only if the investors involved make a request for knowing what the projections of the company for a coming year are.

REFERENCE LIST

Canes M. (2004). Integrity and Reliability = Trustworthy Accounting. Accessed July 29, 2012 from [http://www. bluelinkerp](http://www.bluelinkerp).

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