

Questions for consideration (4-6)

Finance



Finance and Accounting The appearance of the proxy statement that accompanies the annual reports to shareholders as a separate booklet would not discourage investors from reading it. This is because the booklet contains crucial information about the pay and perks of an organization's top executives, directors and outside accountants. Serious investors would always want to determine whether the company directors and top management of the companies they have invested in are financially accountable and reliable in case of changes in the market. Some of the companies invested in deal with huge amounts of assets (Palmiter 174). Therefore, the proxy statement would provide information on the salaries, bonuses and other compensations of the top level management. This information can be used by investors to determine how reliable the executives are with the hefty amounts of assets to manage.

In my opinion, the most basic and important section of the proxy statement is section on accountants and the payment extended to the external auditors. The disclosure of the additional fees paid to auditors would be used to detect any cases of fraud and bribery. This is because auditors have the ability to unearth existing fraud of funds in a company at the expense of shareholders (Palmiter 175).

Cash flows can be used to gauge a company's performance. This is because cash flows show the money used in all aspects of an organization's operations and transactions. This includes the cash used to buy assets, money raised by investors and financing from loans. Since these aspects help a company to generate earnings, then cash flows can be used to measure performance. The EBITDA can be used to gauge a company's performance. It entails earnings before interest, taxes, depreciation and

<https://assignbuster.com/questions-for-consideration-4-6/>

amortization. The basis of its use is that it reflects the happenings in all core operations of a company while disregarding expenses that are considered irrelevant. Net income can also be used to measure a company's performance. This is because income indicates the earnings made in surplus of the least expected income on the operating assets. Income also shows the value added after an organization's operations.

Both EBITDA and pro forma earnings are both intended to reveal the true operating earnings of a company. The methods also portray how companies' main operations have performed. In both methods, the management decides what expenses are relevant to the ongoing company's operations.

Works Cited

Palmiter, R., Alan. Corporations: Examples and Explanations. New York: Aspen Publishers, 2006. Print.