

# [Accounting practical set](https://assignbuster.com/accounting-practical-set/)

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Finance and Accounting Accounting Practical Set Executive Summary This report will provide an analysis of the cash flow ment and income ment. It will consider why the cash balance has decreased even though a profit has been achieved. Income Statement might be characterized as a financial statement that measures an organizations financial execution over a particular accounting period. Balance Sheet could be characterized as a financial articulation that compresses an organizations liabilities, assets and equity of the shareholders at a particular point in time. Cash flow statement could be characterized as an income or cost stream that changes a cash account over a given period. Even if there is profit in the income statement, investors need to look at the cash flow statement to measure actual cash balance of the company.
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Introduction
This report will provide an analysis of the cash flow statement and income statement. It will consider why the cash balance has decreased even though a profit has been achieved. This report is based on the information provided by Mr Albert Clarence. The limitation of this project is that it is short time project. Thus detailed analysis will be short.
Discussion
Income Statement
Income Statement might be characterized as a financial statement that measures an organizations financial execution over a particular accounting period. Financial execution is evaluated by giving an outline of how the business acquires its incomes and costs through both working and non-working exercises. It likewise demonstrates the net profit or loss caused over a particular accounting period, normally over a fiscal year or fiscal quarter.
Balance Sheet
Balance Sheet could be characterized as a financial articulation that compresses an organizations liabilities, assets and equity of the shareholders at a particular point in time. These three asset report sections give speculators a thought in respect to what the organization claims and owes, and the sum contributed by the shareholders.
Cash Flow Statement
Cash flow statement could be characterized as an income or cost stream that changes a cash account over a given period. Cash inflows normally emerge from one of three exercises - financing, operations or contributing - despite the fact that this likewise happens as an after effect of gifts or donations on account of particular fund. Cash outflows result from costs or ventures. This holds valid for both business and any personal account.
Accrual Accounting
Accrual Accounting might be characterized as an accounting technique that measures the execution and position of an organization by perceiving various economic occasions paying little respect to when cash transactions happen. The general thought is that economic occasions are perceived by matching incomes to costs (the matching guideline) at the time in which the transaction happens instead of when instalment is made (or got). This technique permits the current cash inflows or outflows to be consolidated with future expected cash inflows or outflows to give a more faultless picture of an organizations present financial condition
Conclusion
From the study it has been seen that the balance of cash flow can be different from the net profit balance of income statement. Most of the time companies experience that they have net profit in the income statement but the cash balance is negative in the cash flow statement. It is because cash flow includes various items of cash flow from operational activity, financial activity and investing activity which are not included in the income statement. Cash flow statement show the details of cash incoming and outgoing. Thus even if there is profit in the income statement, investors need to look at the cash flow statement to measure actual cash balance of the company.
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