Dq1 and 2 analysis of financial statements, law of one priceviolated, and why ris...

DQ1 Three users of financial information are investors, lenders, and suppliers. Investors are interested in the financial ments of public corporations due to the fact that they want to determine whether a company is a good investment or not. Investors pay close attention to the income statement to determine the profitability of a company (Weygandt & Kieso & Kimmel, 2002). If a firm had net losses in the most recent financial period most investors will stay away from that common stock. A second group of users are lenders. Lenders are interested in the financial statements of corporations to determine whether a company can pay off a loan. The balance sheet is very important to them because they can use that information to perform ratio analysis such as the current ratio and debt ratio which determine whether a company can pay off its short and long term debt. Suppliers use financial statements to determine if they can provide the customer with a credit line. DQ2 The risk of security should be evaluated in isolation due to the fact that different companies have different types of risk depending on the industry, nature of the business, geographic location among other factors. For instance the risks associated with natural disasters are higher in Florida due to the fact that this region has a high incidence of hurricanes. Businesses located in this state must prepare themselves do deal with operation shutdown when hurricanes hit. There are other risk factors that different businesses have that affect the risk profile of a corporation. Companies in the airline industry have to take measures to lower the risk of gasoline purchases due to the fact that price of petroleum is high volatile. Fuel cost is the highest cost for companies in the airline industry. Managers can lower fix their prices by buying future contracts. References Weygandt,

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