

# [Financial statement](https://assignbuster.com/financial-statement/)

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Financial Reports Financial Reports Explanation The preparation of the financial statement is under International Financial Reporting Standards. The presentation of the financial statement of the company is done in accordance to standard IAS 1 (IAS 1 — Presentation of Financial Statements, 2014). Since, the business is initially started the financial statements are mainly prepared for internal user only. The projected cashed flows, revenues and sales are based on the estimated attained from the average industrial turnover. Thus, the projections are subjected to change because of any change in the external or internal factors that may influence profits, revenues and expenses of the company. The amounts for the assets are reported in accordance to prevailing average rates that were obtained from current market trends, such as land, building, rentals, etc. In addition, the tax expenses that reported are in the financial statement are based on the average taxations policy of the country that is subjected to change in times to come. However, the expenses may vary with the change in operations, business environment or any change in the consumer behavior or market trends. Since, the business is newly established the amounts and rates for the depreciation are not based on the past records of the company. The assets are depreciated at the rate of estimated useful life that is obtained from the peer’s financial statements in the industry (using Straight Line depreciation). The vehicles are not a part of the operations for the next three years. The furniture and fixtures are depreciated at a useful life of five years. Equipments are depreciated at four years of useful life and building is also the part of the balance sheet for the first 3 years. The company will invest in buildings once the brand is known to the consumers. The account of reserves of bad debts are to be increased at the rate of five percent of the reserves of bad debt accounts of the previous year. The increase in the cash in hand, cash at bank and accounts receivable is estimated to increase with an average rate of five percent that are subjected to the projected estimates for the revenues.
The projections of the sales of the company vary according to the seasonal changes due to which there is a fluctuation in the sales volume of the company on the basis of its monthly accounts. Looking at the cash flow of the company it can be noted that the company does not announced to pay off any of dividends or any additional cash against its current assets, borrowings or long-term assets. It can also be noted that the inflow of the cash relies on the sales of the company. Hence, it can be noted that the cash from the operations of the company and the outflow of the cash is mainly focused to the payments of the utilities, bills and cash spending (AASB 139 Financial instruments: recognition and measurement. 2014). The company does not intend to create reserves for earnings or dividends to its shareholder. The major inflow of the cash is generated through cash sales of the company, as well as sales on credits. The financials depict that the majority of the sales of the company is dependent on the cash sales. The cash flow values are expected to grow at a rate of 5% every month.
List of References
AASB 139 Financial instruments: recognition and measurement. 2014. [Online]
Available at: [Accessed 20 September 2014].
IAS 1 — Presentation of Financial Statements. 2014. [Online]
Available at: [Accessed 20 September 2014].