Accounting information and decision making

Finance

Accounting Information and Decision Making Question The main financial ments are the income ment, the cash flow statement, the balance sheet and the owner's equity statement. The income statement is an indicator of the amount of money earned within a certain period of time and the expenses incurred within that same period. The cash flow statement is an indicator of the source of cash used in the daily routines of a business and its uses. The balance sheet is an indicator of the financial state of a business at a given period. It shows the current and fixed assets as well as the current and fixed liabilities (Collier, 59).

If I were an investor, I would turn to an income statement first when looking to invest in accompany. This is because this statement will show me the operations undertaken within a certain period of time and the income and expenses. This shows whether the entity is doing well and expanding or whether it is performing poorly and may not do well in the coming months or years. I have ever reviewed the financial statements for a company I have worked for.

Question 2

My classmate is correct on the " dual effect" statement. This is because for every transaction, one account will increase while another decreases. This is due to the double entry effect in accounting whereby an amount is removed from one account and put into another. This leaves one account with less and the other with an increased amount. An example is in the case of purchasing goods. When purchasing goods with cash, the cash account will be less the amount used for the purchases while the purchases account will increase with the monetary value of the goods purchased (Collier, 62).

Works Cited

Collier, Paul M. Accounting For Managers: Interpreting Accounting Information for Decision-Making. New York: Wiley. 2012. Print.