

# Reporting results

[Finance](#)



Reporting Results in Organizations The balance sheet is amongst the financial statements used by organizations to provide financial results, information, and conclusion. The balance sheet is a financial statement that states the financial position of an organization in terms of assets, liabilities, and equity at a particular time (Finkler, 2010). Asset is defined as anything of value that an organization owns, which usually arises due to past transactions (Finkler, 2010). Assets depreciate in value throughout their lifespan. At the end of a given period, an organization needs to adjust the asset on the accumulated depreciation. It is important for organizations to make such adjustments in order to provide an accurate position of the firm in respect to assets.

In order to determine the depreciation expense on a given asset, an organization has to establish the initial cost of the asset, its book value, and the period taken for the value to depreciate from the cost to the book value. Nevertheless, if a firm knows the lifespan of an asset and the residual value, then calculations of depreciation of expense may be calculated. For instance, if a firm bought an asset for \$50, 000 and the expected lifespan and residual values are 10 years and \$10, 000 respectively, then the organization may use the straight line method to calculate depreciation expense as \$4, 000. Therefore, even though accurate stating of an organization's financial position requires that the book or current value of an asset to be established, it does not lead to a serious challenge in calculating the depreciation expense given the straight line method (Finkler, 2010). The straight line concept can be used in such scenarios where the cost, residual value, and the lifespan are required.

From the explanations, it is evident that the difficulty in determining the <https://assignbuster.com/reporting-results-essay-samples/>

current value of an asset does not create a significant a problem in determining the depreciation expense that should be charged for a year.

#### Reference

Finkler, S. A. (2010). Financial management for public, health, and not-for-profit organizations (3rd ed.). Upper Saddle River, NJ: Prentice Hall.