Written Assignment

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On a broader perspective, every business has a unique financial status in comparison with others within the market system. The difference in the business income, cash flow, revenues and expenses is due to the choices agreed upon by the financial managers managing the business entity. In other words, there are a couple of factors which tend to differ during the entire financial year of a business. For instance, entrepreneurs seeking to invest in the fast moving commodities are likely to make lucrative profits due to high net income emanating from the potential clients. On the contrary, goods and services considered moving fast with the business premises may induce losses depending on time span of their selling. Thus, accounting choices regarding business assets and liabilities are critical and necessitate effective decision making. The paper seeks to highlight on the qualitative concerns in the financial statements and their implications towards the analyst opinions.

One of the key issues arising from the whole discussion of the financial statements especially on the accounting choices include revenue and expense recognition. As an extension, entrepreneurs will always keep in mind various stressors regarding revenue generation in their businesses (Abernathy, 2017). For example, the concept of time in handling commodities is vital in determine the amount of revenue creation after a given financial year. Therefore, business owners who opt to deal with durable goods including machinery and hardware equipment may have relatively low revenue compared to hotel and restaurant owners who make huge sales per day. Cumulatively, this implies that the financial analysts will give advice to potential investors to venture on the business environment which are offering fast moving utilities for the sake of making more sales.

Similarly, financial issues as result of expense recognition range from several parameters including cash flow inventories, assets improvement as well as mean of depreciation and estimation. Notably, choices made on the cash flow have a direct implication towards the financial reports of an enterprise. In this case, for example, the cost assumption on the weight average method indicates that the old and the new costs reflects on the business balance sheet, which implies that both costs must have positive values to avoid fading the financial reports of a business. Thus, financial analysts will opt to select techniques which blend positive results regarding the cash flows (JSTOR, 2018).

On the other hand, financial decisions which appear biased they tend to decrease the performance of the enterprise activity as they neglect holistic approach of improving the business income. In essence, an enterprise whose choices seems aggressive and not conservative, has higher likelihood of improving the business financial reported statements due to wide scope of favourable information in the choice (Cox, 2018). For example, taking into account the exchange rates within the market system is crucial in determining the operating income of an enterprise. In conjunction with this, the Toyota Motor Company in Japan made a tremendous increase in net income between financial year 2013and 2014 from nearly $310.2 to $663.3 respectively (Storyline, n.d). Thus, choices as a result of variation in the exchange rates need consideration to help maintain sound financial reports. Hence, analysts will tend to embrace the brilliant idea of observing exchange rates during decision making especially for the exports and imports commodities.

In summary, financial choices need to take into account various factors to avoid business losses and negative financial statements reports after every financial year.

# **References**

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