**Re-mid Assignment: Financial reporting and analysis**

**Total Marks: 0030**

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**Program: MBA (1.5)**

**Specialization : Finance**

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**Attempt all question each question carries equal marks.**

***Q#1:What does you know about IAS and IFRS. Introduce basic IFRS that deals with different assets.***

***Answer:*** *international accounting standards (IAS) and international financial reporting standards (IFRS ) are the same but International accounting standards represent older accounting standard issued by the international accounting standard board (IASB)an independent international standard setting body based in London.the main difference international accounting standards are old accounting standard such as IAS 17 leases while IFRS represent new account standard such as IFRS 16 leases.The International accounting standards (IAS)were replaced in 2001 by international financial reporting standards (IFRS).*

*International accounting standards (IAS)were the first international accounting standards that were issued by the international accounting standard committee (IASC)formed in 1973.*

*International financial reporting standards is a set of accounting standards development by an independent nonprofit organization called the (IASB).*

*International accounting standards(IAS)were published 1973 to 2001 while international financial reporting standards(IFRS) were published from 2001 to onward.they specify how companies must maintain and reports their accounts defining types of transactions and other events with financial impact. These standards aspire to reduce the differences between account matrics to:*

* *Promote the development of an integrated financial and competitive market.*
* *Encourage transparent financial information.*
* *Protect investors.*

*International financial reporting standards were established to create a common accounting language so that businesses and their financial statement can be consistent and reliable from company to company and country to country.*

*International financial reporting standards foundation sets the standard to bring transparency accountibility and efficiency to financial markets around the world.*

*Fixed assets accounting under IFRS.*

*Fixed assets can be classified basically in to two categories.i-e tangible and intangible.*

*An assets may be recognized in the financial statement even if ownership of the assets belongs to someone else.*

*IFRS requires an entity to do the following on acquisition of a group of assets:*

1. *Identify and recognize the individual identifiable assets acquired a liability assumed.*
2. *It is probably that there will be future economic benefits from the assets the cost of the assets can be reliably measured.*
3. *A non current assets or disposal group to be classified as held for sale if it’s carrying amount will be recovered.*
4. *Depreciation of an assets to cease when it is held for sale.*
5. *Assets held for sale to be measured at the lower of the carrying amount and fair value less cost to sell.*

***# 2:Introduce the basic form of business that exist in any economy which financial statements are the most important for any financial analysis?introduce these statements and explain it in detailes how they are important for any financial analysis and decision making.***

*Answer:there are the basic form of business.a business entity may be a sole proprietorship,a 0 and corporation:*

***(1)Sole proprietorship*** *: sole proprietorship or individual business concern owned and operated by one personab.He alone contributes the capital and skills.the soleproprietor is a person who carries on business exclusively by and for himself.the owner is responsible for the debt of the sole proprietorship,in the united states a sole proprietorship may qualify to be treated as a limited liability company.the owner may limit the liability of the sole proprietor but may increase the tax exposure of the proprietorship.*

***(2) Partnership*** *: a partnership is a business owned by two or more person each owner called a partner and personally responsible for the debt of the partnership.the accountant treat the partners and the business as separate accounting entities.the profit or loss of the partnership business goes on the income tax return of the partners.like a proprietorship a partnership may also qualify to be treated as an limited liability company. The owner may limit the liability of the partners but may increase the tax exposure of the partnership.*

***(3) Corporations*** *: A corporation structure is more complex than other business structure a corporation is a business organization owned by a group of indivdual and is operated for their mutual benefits.the profit or losses are treated as a separate entity on an income tax return the owners are not taxed until profits are distributed to the owners. In a corporation business you are personally liable for the debts of corporation.*

***Which financial statement are the most important for any financial analysis?introduce these statement and explain it in details how they are important for any financial analysis and decision making :***

*My answer is that no particular component of a company financial statement are any more or less important than others they all are interconnected in a meaningful manner. Bankers want to see a holistic view of your company and care about all three major components of your companies financial statement.*

*Stackholder is mostly interested in dividends so income statement is more important .*

*Prospective investor want in buy shares then balance sheet is more important.*

*Creditors or lenders mostly interested In cashflow statements to see liquidity.*

*All financial statements are equal important and have different relevence for decision making and user stackholder of the financial statement. Income statement show a company income,expenses and gross profits.the income statement shows the direct,indirect and capital expenses in a company. Income statement will help more profitable decisios than the balance sheet where as the balance sheetwill also help in solvency,liquidity and other long term investment decision.balance sheet shows the statement of financial position and provide information on what the company is worth from a book value perspective.the balance sheet can offer several quick views for comprehensive analysis.there are a veriety of ratios analysts use to guage the efficiency of a company balance sheet.the Cashflow Statmentwill also highlight the efficient use of resources and their returns.Cash flow statement provides over all liquidity by showing cash transaction activities.cashflow statement will be broken into three parts operating,investing,financing this financial statements highlights the net increase and decrease in total cash in each of these three areas.all financial statement are important but it seems that the statement of financial position is the most important one. Financial statement mostly is based on the statement of financial position where you can get your ratio(liquidity-solvency)and trends.*

*The most important benefits of financial statement analysis is that it provides an idea to the investors about deciding on investing their fund in a particular caompany.*

*The main users of these financial statement are shareholders,debentureholders,bankers and financial intermediaries,financial analysts and all other stackholders of the business.*