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**BBA 2nd Semester Sec-(B)**

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| SUBJECT | **Principal Of Accounting** |
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| ASSIGNMENT TOPIC | |
| Summary of Topics | |
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**FINAINCIAL STATEMENTS**

Financial statements are formal records of the financial activities and position of a business, person, or other entity. Relevant financial information is presented in a structured manner and in a form which is easy to understand. A financial record explains your charity’s financial activities (transactions) and financial position and performance.

**EXAMPLE OF FINAINCIAL STATEMENTS**

1. General account books
2. Cash book records
3. Banking records
4. Creditors’ records
5. Debtors’ records
6. Details of any contracts
7. Details of any grant payments and acquittals
8. Tax invoices and other relevant tax records
9. Stock records\
10. Records of expenses
11. Records of payments relating to employees
12. Assets list or register
13. Emails, letters and other communication about finance

**TYPES OF FINAINCIAL STATEMENTS**

There are four main types of financial statements. They are:

**BALANCE SHEETS**

It is a statement of the financial position of a business that lists the assets, liabilities, and owner's equity at a particular point in time.

**INCOME STATEMENTS**

Also called a profit and loss **statement** is a report made by company management that shows the revenue, expenses, and net **income** or loss for a period.

**CASH FLOW STATEMENTS** It is a financial **statement** that provides aggregate data regarding all **cash** inflows a company receives from its ongoing operations and external investment sources. It also includes all **cash** outflows that pay for business activities and investments during a given period.

**STATEMENTS OF SHAREHOLDERS' EQUITY**

The **statement of owner's equity** is a financial **statement** that reports the changes in the **equity** section of the balance sheet during an accounting period.

**WHO USE FINAINCIAL STATEMENTS?**

The users of the statements are:

**1. Owners and investors**

### Investors need information to assess the company's potential for success and profitability. In the same way, small business owners need financial information to determine if the business is profitable and whether to continue, improve or drop it.

**2. Management**

### The managers, whether owners or hired, regularly face economic decisions – How much supplies will we purchase? Do we have enough cash? Etc. and many other questions and business decisions, require analysis of accounting information.

**3. Lenders**

### Lenders of funds such as banks and other financial institutions are interested in the company’s ability to pay liabilities upon maturity.

**4. Trade creditors or suppliers**

### Like the lenders, Trade creditors or suppliers are interested in the company’s ability to pay obligations when they become due. They are nonetheless especially interested in the company's liquidity.

**5. Government**

### Governing bodies of the state, especially the tax authorities, are interested in an entity's financial information for taxation and regulatory purposes. In general, the state would like to know how much the taxpayer makes to determine the tax due thereon.

**6. Employees**

### Employees are interested in the company’s profitability and stability. They are after the ability of the company to pay salaries and provide employee benefits. They may also be interested in its financial position and performance to assess company expansion possibilities and career development opportunities.

**7. Customers**

### When there is a long-term involvement or contract between the company and its customers, the customers become interested in the company’s ability to continue its existence and maintain stability of operations.

**8. General Public**

### Anyone outside the company such as researchers, students, analysts and others are interested in the financial statements of a company for some valid reason.

**PURPOSE OF FINAINCIAL STATEMENTS**

Purpose of maintaining financial statements are as follows:

**Monitor the progress of the business**

The business needs to maintain good records to monitor the progress of the business. Records can show whether your business is improving which items are selling or what changes are needed to be made. Good records can help to increase the business development.

**Identify the sources of income**

The money or property can be received from different sources. The financial statements can identify the sources of income. The information helps to separate business from non-business receipts and taxable and nontaxable income.

**Financial performance of the entities has been provided**

The main purpose of financial reporting is to provide the entities financial information. This serves as a conceptual framework for all the entities who provide the financial performance of the company.

**Provide assistance to existing entities**

Assistance to entities has to be provided annual explain that whether they should invest in the existing investments or which investments can be harmful to the company. These statements are the core backbone of the company that could help the investors and also, they could get an overview of the company’s financial performance.