Admission Essay

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**CLA Corporate Finance**

Financial professionals need to have information about the analysis of the financial statement. Companies communicate their business position through these financial statements. They represent the strength and profitability of the organization. The profitability of the organization is analyzed by income statement of that organization. The changes in retain earnings between the beginning and end of the period are shown by Statement of owners equity or statement of retained earnings (e.g. month or a year). Company’s financial and solvency position is analyzed through the balance sheet of the organization. The inflows and outflows of cash over a period of time are represented by the Company's Cash flow statement. Financial statements consist of various accounting activities, which are analyzed through Income statement, statement of retained earnings, the balance sheet and the statement of cash flows (Williams, & Dobelman 2017).

Sometimes income statement is also known as profit and loss statement or earning a statement which indicates the profitability of the business in the organization. It is the comparison between income and revenues of the business which measures the profitability of the business in a specific time. The important parts of income statements are Revenues, expenses, Revenues-Expenses=Net Income. Revenues are the inflow of cash which have been generated through sales of the products and services of the business. Expenses are the outflows which are incurred by providing goods and services. Net income is mostly known as the remunerations of the company. when income exceeds the expense it is called as Net Profit whereas when expenses exceed from the income it is known as the net loss (Arya, & Nagar 2018).

During a specific accounting cycle, the statement of retained earnings represents the changes in retained earnings during a specified period. It is just like an equation, such as it starts with the retain earnings beginning period and then make adjustment of dividends which is subtracted from the retain earnings, add the net income and then close the balance of retained earnings for the accounting cycle. Closing balance of the last year is the opening balance of next year. The ending balance is reported on the balance sheet.

The balance sheet of a company shows the assets, liabilities, and equity at a specific time. The balance sheet is prepared at the specific period usually Annually, Semiannually and quarterly. Observe the difference between the income statement and statement of retained earnings with the Balance sheet. The balance sheet is having different headings which show the business position at a specific time. Mostly the rules of assets on the left side whereas the liabilities on the right side is followed (Greenwood, Hanson & Stein 2016).

The cash flow statement shows the outflows and inflows of cash from financing, operating and investing activities. The statement of cash flows determines the inflows and outflows of cash to determine the cash in hand to pay the companies due to bills. It is necessary to manage the accounts receivable proactively and negotiate better terms of credit to make cash flows smooth.

Investors have many opportunities to invest but it is important for him to carefully weigh the options of investment. Generally, investment has three categories which include; bonds, stocks, and cash equivalents. On the long run, investors may invest in six types of investments.

Research of Ma, Zhao, and Xi (2016) shows that a small piece of company assets and earning are purchase through the stock. To raise cash, companies sell the shares of stock and investors can sell or buy those stock shares with one another. These shares may give high return sometime but it is also necessary to check the risk associated with shares of the company. The investors may make money when the value of the stock goes up. Investor should try to be vigilant while investing in a stock. He must observe the financial Strength of the business before investment. The business may become bankrupt or the company may lose its value. The profit can also be generated by selling stock at a higher price. Dividends are the distributions of regular earnings of the company to its investors the percentage of the dividend may go up or down with time. So it is safe to invest in stock only in that case when the financial condition of the business is very strong.

Bonds investment is another option for investment of money. Bond is the investment to the government or a company and it is considered as a loan it does not give the ownership of the company. The bondholders have no ownership rights alike shareholders. The bondholder or the company is liable to pay you interest on borrowed money (Kumar & Goyal 2015). Bonds although offer less return but they are safer than stocks. While investing in bonds it is important to have ‘full faith and credit" on Government or a company bond. The investor can get a regular return from his investment in a bond, in the form of installments. The interest rate is lower in safer bonds whereas in risky bonds the interest rate is higher. At the date of maturity of the bond, the principal amount is paid to the investor.

Another option for investors to invest is on cash and cash equivalents. The cash and cash equivalents include certificates of deposits, money market or saving accounts. The investment is more about to keep the money safe and less about for growing the money. The investors may also make investments in mutual funds, index fund, exchange-traded funds, and options.

**Reference**

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