An Analysis of the use of Financial States in Assessing Corporate Performance

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Abstract

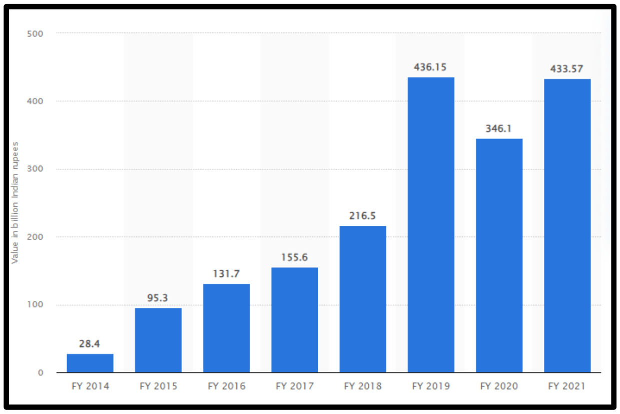
For analysing the importance of the financial statement for assessing corporate performance is discussed in the study. In order to analyse the topic and gather information about financial information past literature was analysed that provided a guideline for the former study. In addition, it was found that financial stent helps to mitigate market risk and is decisive for the process of business decision meaning. For the collection of relatable data secondary data collection was used and qualitative methods were considered for analysing the collected data. In the dining section, different types of data and other important are discussed. Additionally, it was found financial statements hens in sustainability thirty mitigation the risk factors at the end overall study is concluded with the overall process used for the development of the study.

Keywords: *Types of financial statements, business growth, corporate performance, market risk and financial statement.*

INTRODUCTION

A financial statement holds data related to cash flow, equity division income statement and other important information that plays an active role in the sustainability quotient of the business (Oncioiu et al. 2020). Moreover, in order to achieve sustainability in the market and improve the process of business financial statements are important.

Figure 1: Revenue generation model for Flipkart 2014 to 2021



(Source: Statista, 2022)

Figure 1 of the study represents the revenue generation model for Flipkart Private Limited between the financial years 2014 to 2021 (Statista, 2022). The revenue graph highlights the revenue model in value billion Indian rupees and in 2014 the revenue was 28.4 billion Indian rupees (Statista, 2022). After that, the company have shown gradual growth till the financial year 2018 generating revenue of 216.5 Indian rupees (Statista, 2022). Changes in the business process in 2019 were drastic however, the company made less in 2020 and again in 2021 gaining revenue of 433.57 (Statista, 2022). From the above discussion of the revenue model, a brief idea about the business process is highlighted. Additionally, the Importance of the financial statement is understood for predicting problems and improving a business.

Aim

The primary aim of the study is to analyse the province of the financial statement for improving and assessing corporate performance

Objectives

RO 1: To understand the different types of financial statements and their impacts on corporate performance

RO 2: To discuss different factors of financial statements in assessing corporate performance

RO 3: To critically assesses the underlying challenges in managing corporate performance

R0 4: To suggest different ways to maximise the potential of a financial statement for assessing corporate performance

Questions

RQ 1: What are the different types of financial statements and how impacts corporate performance?

RQ 2: What are the factors of financial statements that help assess corporate performance?

RQ 3: What are the underlying challenges in managing corporate performance?

RQ 4: What are the different ways to maximise the potential of a financial statement for assessing corporate performance?

Literature Review

Impact of financial statements in organisation's performance

The financial statement of a business is used as an essential tool that is decisive in the process of the decision-making process for the business. As per the suggestion of Arda et al. (2021), a financial statement contains data about the bottom line and top line of a business and every investment in between. For instance, all of the investment and data about resource allocation are described in the financial statement of the business. On the other hand, Olayinka (2022) argued that a financial statement is not free from potential biases which question the full reliability of a financial statement in business. Therefore from the adobe discussion, it is understood that a financial statement is an essential tool for assessing corporate performance. However, a financial street has its own flaws (Arda et al. 2021).

At the time of reviewing past literature for, the study, and different contradicting thoughts about the potential of the financial statement was found. As per the opinion of Yi, Kim & Han (2021) financial statement plays a major role in understanding the gaps in business. For instance, with the appropriate knowledge of the financial statement, it is possible to estimate the revenue allocation for different factors of a business. On the other hand Super & Shil (2021), argued that, in order to make important decisions for a business there are different tools for a business that is more reliable that a financial statement. Thus from the above discussion, it is understood that a financial statement is one of the major tools for making business discussions for a business.

Different types of financial statements and their importance in business

At the time of gathering data for the study, it was found that In order to improve a business there are different kinds of financial statements. As stated by Putra (2019), each kind of financial statement shares different king of business-related data and has its own benefits for a business. For instance, a statement of cash flow is considered a financial statement that holds the data related to the cash flow of a business (Arda et al. 2021). Additionally, there are the income statement, balance sheets and statements for retained that helps to understand the different aspect of a business. However, Nani (2019), argued that in order to improve a business the entire financial amenity needs to be linked and concluded in a single result for a better understanding of the gaps of a business. Thai the above discussion shed light on the use of different financial statements and it is understood that the use of financial statements depends on the situation of a business.

Different kind of financial statements has different kind of data that shed light on different kinds of threats to the business. As per the research work of Nti, Adekoya & Weyori

(2020). In addition, It was found that financial assessment helps to make possible market predictions. In addition with the help of a financial statement, it is possible to predict market trends. On the other hand, Rafatnia et al. (2020) argued that market prediction based on financial statements is not reliable enough. In addition, the only possible fact of the market that is impacting a business is predicted throat a financial statement. Therefore from the above analysis, it is understood that their financial statement helps to a certain level in predicting market forces.

In order to improve a business's growth are possible ways that are possible to implement the help of a financial statement. However, there are different factors that help to mitigate issues of a business. As commented by Farrell et al. (2020), a financial statement helps with strategies for the allocation of resources and maintaining a quality cash flow. Moreover, the financial statement highlights the factors that create hindrances in the process of creating a sustainable business. In addition, a financial statement helped to understand the gaps in the business process. On the other hand, White & Van Dyk (2019) argued that the process of business decision-making needs to be done with the intelligence of the business leaders based on different factors of the business.

However, there are other tools a business needs to consider for a reliable allocation of resources and other making other decisions. Financial statements support the process of decision-making that further help to mitigate issues of the business.

Methodology

Data collection

The process of fat collection is decisive for the overall development of the study. As per the opinion of Pandey & Pandey (2021), incorporating an appropriate method of data collection helps to collect relevant through collecting focusing on the kind of data. In order to improve the conduct of the study about the importance of financial statements secondary data was collected.

Data analysis

For assessing the secondary data qualitative method of analysis was considered. As per the opinion of Meyer (2021), qualitative analysis helps to narrow down the spectrum through a thematic analysis. At the same time, it is le to gather a wider perspective of the topic through the thematic analysis of the collected data.

Findings

Theme 1: Different type of financial statement provides different kind of data that helps in assessing corporate performance

During the development of the study past analyses were gathered and revved. At the same time, other reliable sources of knowledge were analysed in the process. Through the analysis, it was found that there are mainly four kinds of financial statement which indicates the performance of the business. As per the opinion of Miciuła, Kadłubek & Stępień (2020), all the finances of a business are mentioned in a balance sheet; therefore, a balance sheet is considered one of the core financial statements for a business. Additionally, the data of a balance sheet helps to get an idea about owned and awes assets for the business. Furthermore, there is the Income statement that showcases the income and allocated financial resources of a company (Mashoka, 2022). Income statements are generally related to the period of the business. An income statement showcases profit and loss in a given period.

Additionally, the cash flow statement is one of the important financial attempts that help to understand the cash flow of the business. As per the opinion of Günay & Fatih(2020), the Cash flow statement helps to analyse the flow of liquidity in the business. Moreover, the Cash flow statement holds data about the liquidity of the business in order to pay the business expenses. On the other hand Statement of owner's equity is an important financial statement that helps to understand the amount of equity a needs to pay in order to cover shortfalls (Hasanaj & Kuqi, 2019). Such days help to understand the equity share of the business.

Theme 2: Financial statement helps to analyse potential risks for the business and supports the market sustainability

During the anguish analysis of the business, it has been found that with an appropriate understanding of the financial statement, it is possible to predict potential market risk. As per the opinion of Oradi & Izadi (2020), there is a different market risk that hinders the process of the business and challenges market sustainability. In addition, financial statements help to analyse such potential risks of a business and additionally help to allocate appropriate resources in order to mitigate such issues. For instance, there is the risk related to duplicate product and product offers similar value. In such a scenario financial statement helps to strategise for the marketing that to mitigate such threats.

Additionally, with the financial statement, it is possible to predict the future performance of a business. As per the suggestion of Mosteanu & Faccia (2020), prediction depends on the financial statement it is possible to predict short outcomes. In addition with the help of financial statements, it is possible to take relatable decisions that help to change the potential outcome for the business. Thus, such factors related with a financial describe the importance of financial stamen in the business. Moreover, it is possible to predict and mitigate risk factors and achieve market sustainability for a business.

Theme 3: Financial statement largely influences the Process of business decision making

Decision-making is a major factor of a business that directly depends on the financial statement. As per the opinion of Günay & Fatih (2020) financial statement helps to understand the different factors of a business and the gaps related to the same. Additionally, making appropriate mitigation strategies are possible with an in-depth understanding of the business process. A financial statement showcases the profitability of the business over a period, therefore, it is possible to analyse the flaws of the business process and possible changes the need to be incorporated (Yi, Kim & Han, 2021).

In order to make descend it is necessary to have an idea of the market. Additionally, a financial statement works as a tool that helps to compare a business with other companies of similar size and similar industries. Moreover, income statements and other financial statements are deceived for making changes in the operations for maintaining a quality profit margin.

Resource allocation is a major factor of a business that directly impacts the productivity of a business. As per the opinion of Miciuła, Kadłubek, & Stępień (2020), appropriate knowledge of the financial statement helps to make informed decisions for a business. Additionally, improved corporate governance is possible to achieve through appropriate knowledge of the flaws in the business (Miciuła, Kadłubek & Stępień 2020). Thus, it is possible to improve day-to-day business operations with the appropriate understanding of the business. At the same time Farrell et al. (2020), mentioned informed decision about investment is possible by understanding the financial statement therefore profitability of the business is directly related to the financial statement.

Conclusion

The overall study has discussed the implication of financial statements for assessing corporate performance. In order to conduct an overall analysis secondary data was collected a thematic analysis was done. Additionally, past literature was reviewed in order to collect data regarding the financial statement. It was a forum that there are primarily four kinds of financial that are used by the business and each of the core financial statements has the women benefits of a business. In addition through the thematic analysis, it was found that a financial statement helps to predict and mitigate market risks and make decisions for the business.

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