Ethics Article

Keneisha Dunlap

University of Phoenix

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Emmanuel Ogunji

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Financial Translations Four Corners article assist stakeholders with the understanding finance and financial statements, the four corners represent the four basics of financial statements. The first corner is the balance sheet, which is a statement of equity that includes assets, stockholders, and liabilities. The balance sheet must give an account of the total assets and total liabilities. The balance sheet is usually done quarterly or per fiscal year. The second corner is income statement. The income statement is reviews a company's revenues and expenses, they also project sales, expense, profit or loss. The income statement just as the balance sheet is done quarterly or yearly.

The third corner is the statement of retained earnings. This statement gives the company two opportunities to either distribute the dividends that have been saved rather been paid out and distribute them amongst shareholders or retain the dividends within the company to finance more assets. The fourth corner is the statement of cash flows it assists the company with keeping track of where the revenue comes from, and the expenditures. The casement also includes information on operating, investing, and financing. The statement also gives information on generated revenue from the operations of the company instead of borrowing or selling itself.

The discussions in Chapter 5 deals with break-even analysis in terms of accounting flow rather than cash flows (Williams, 2003). For example, depreciation has been implicitly included in fixed expenses, but it represents a non-cash accounting entry rather than an explicit expenditure of funds. To the extent that we were doing break-even analysis on a strictly cash basis, depreciation would be excluded from fixed expenses. While cash break-even analysis is helpful in analyzing the short-term outlook of the firm, particularly when it may be in trouble, break-even analysis is normally conducted on the basis of accounting flows rather than strictly cash flows.

Within every organization someone's has to keep track of the money. At my previous organization that would be me, I was a director for an after school/ day camp programs. This position required me to keep track of the expenses and revenue of the program. Based on the article, the method that was used at the organization was the income statement; however it was called a recap which was done bi-weekly. The recap included the head count of children for a two-week period, the total amount of money taken within the two weeks for children's tuition, and any late payments. There was a second section for expenditures, which required total amounts spent on food, materials and supplies, staffing, and bus permits. The third section required a tally of the revenue, and expense requiring either a positive or negative balance taken in from thee two sources.

This organization should implement the cash flow statement, due to the fact that while the recap keep track of the revenue and expenses it does keep an accurate track of all expenses. For example the organization had nine centers that operated whenever there was an event that all nine centers interacted together, all nine accounts were charged. This happen sometime knowingly, and sometimes directors were unaware until they received a receipt for expenses after the fact.

Ethical behavior is just as important as competence (Williams, 2003). In the accounting, and financial field it is important of have honesty and a strong commitment to ethical behavior. As stated in the New York Times (2002), by "outlining inappropriate behavior in a code to avoid future problems can be a healthy response to an ethics problem. But if the code is 'inconsistent with the culture as employees perceive it, then it appears to be only window dressing and hypocritical."

References

Jeffrey L. Seglin, New York Times, An Ethics Code Can't Replace a Backbone
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Williams, The Accounting Cycle, Copyright 2003