

THE ANNUAL REPORTS AND FINANCIAL DECISIONS

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Abstract:

Although one may say that the components of financial statements may be considered autonomous and independent elements, the whole accounting processing procedure ends with a set of financial statements that are closely interconnected from the information viewpoint. Therefore, the earnings are shown in the balance sheet, by themselves, however their stages are thoroughly described in the income statement. If we consider a company's cash account, it interconnects the balance sheet and the cash flow statements. The balance determines the amounts of available cash and their changes in time, however it does not account for the causes of these variations. The latter are actually the object of the cash flow statement. Also regarding the company's earnings, their main manifestations may be found in the balance sheet - accounting earnings and economic earnings - however an elaborate description, starting with the net earnings and going to the economic earnings, is to be found separately, as an equity capital statement. Our paper dwells on the interdependence of the components of financial statements and on its influence on financial decisions.

Keywords: financial statements, balance sheet, income statement, cash flow statement, decision.

JEL codes:: M41, M48