

Value

- They are used because they are **easy** to calculate, **SIMPLE**.
- They can be carried out very **quickly**
- Ideal for comparisons
- **decision making** because they highlight strengths and weaknesses in the organization

Window Dressing

why?

- Keep shareholders happy
- Find investors
- Difficulties lead to worst case scenario
- Less taxes
- Selling the business

how?

Manipulating Sales, Costs and depreciation, Extraordinary items (goodwill), Bad debts, Changing asset values, Boosting liquidity, Current assets and liabilities

This is known as the manipulation of a business's own accounts (legally) to present different financial pictures)

Limitations

- Be **careful with comparisons** because comparing the *same company over time* means assuming the company stays the same; and this ain't always the case. *Interfirm comparisons* need to be made carefully too because the nature of the business comes into play, size, etc.
- The balance sheet may not be representative of the business's circumstances through the whole year.
- **Qualitative** information ignored
- **Accuracy** of data (inflation, *window dressed*)



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Page 1 of 1.

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