

turnitin report

by Nn Nn

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Business Letter

Student Name

Institution

Date

XYZ Company

Address

13/4/2020

Mr.

Finance Manager

Address

Subject: Company Financials

Dear Mr.

I take this opportunity with this letter to recommend the good work done by our accounting department in providing last year's financial report. The report complies with all standards and measures of the company and international regulatory bodies. The report has demonstrated various areas that are performing well and areas performing poorly as a company. The primary purpose of this letter is to address those areas, as expressed in our income statement, statement of cash flow, statement of financial statement, and ratio analysis.

2 The statement of a financial position shows that there is a reduction in the amount owed by the shareholders. This means the net worth of our company has reduced, which is not a good picture for our investors. The leading cause of reduced shareholder equity includes increased short-term liabilities in the last financial years. There is a reduction of the short-term asset due to hardship

experienced in the last quarter of our fiscal years. There is a need to develop a strategic plan on how to cater to this problem to improve our shareholder's equity.

The income statement has adequately summarized our earning and the cost of the project undertaken over the last years. It provides a clear picture of the company's performance concerning our project and the effort taken to achieve the set objectives. On the side of income, we have received a small margin from the sales department despite continuous investment in promotion and advertisements. It has contributed to reduced operating profit and net income before tax, as witnessed in the balance sheet.

On the side of expenses, there is increased operating cost, labor, advertising, and utility expenses. The above expenses have resulted in reduced operating profit leading to the poor performance of the company. First, there is no clear information on areas that have led to increased operating costs or mismanagement of administrative finance despite the reduction of various roles and operation of management in the years.

Secondly, the company has focused more on promotion and advertisement activities in the year that have not to yield returns. We are expecting this year; there will be a return on investment of all the project investment to reduce expenses. Thirdly, we need to focus on how to regulate our labor expenses. Lastly is increased utility expense due to mismanagement behaviors of our employees.

The cash flow statement shows our company is at risk due to minimized cash inflows from the company's ongoing project and our external investment sources. In the concluded financial year, the company launched various projects that are yet to earn any returns. It has contributed to our reduced operating profits due to increased cash outflows for investment. There need to come up

with a way to increase cash inflow every year since most of the venture last year is long term investment.

The financial ratio analysis shows the last fiscal year the company has reduced its ability to pay its bills. There is an increase in debt liability relative to the shareholder's equity. This is not a good sign for our organization as it chases away our investors. It also discourages our vendor to lend more than over abilities.

In conclusion, our financial analysis is not doing so well at the moment due to reduced operating profit, shareholders' equity, and an increase in expenses. There is a need to develop a strategic plan that will settle the challenges point out in this letter intending to increase shareholders' equity.

Yours sincerely

Signature

Name

XYZ Company

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