

Financial Discussion 3.1

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Institutional Affiliation

Course Number and Name

Instructor's Name and Title

Assignment Due Date

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The understanding of the notion of ‘net income’ requires the deeper insight into the company financials. However, the basic definition is the money that are left to the company after taxes’ payments (Dahlquist, Knight, & Adams, 2022). Thus, basically, the exceed of company`s revenues over the expenses is the obligatory condition of the income receive. Revenue defines that the money obtained from the customers for the goods and services while expenses are the money that are spent to get the raw materials or relevant tasks (Dahlquist et al, 2022). Thus, for each company, ensuring the accurate analysis of the expenses and revenues is of pivotal importance. Otherwise, the net profit will not be obtained. Cash flow defines the money that tare transferred throughout the business processes (Dahlquist et al, 2022). Such flow is and obligatory to ensure the possibility of the company success.

All of the mentioned concepts are important for understanding the company achievement and progress. Cash flow concept is highly applicable to define the company`s financial health as it reflects the real sum of money that is available for the specific tasks (Boex, 2015). Thus, this variable is helpful to analyze any financial possibilities of the companies. Among such, the profitability, investment abilities and many other aspects become much clearer. Regardless of their great value, the net income and cash flow are only components of a greater system of the company stability. Ultimately, they must be considered together. The neglect of the cash flow indexes can lead to the lack of funds and debts. Indeed, the growing expenses can also lead to the loss of the net income. Such a process would mean that the company has a net loss and failure of the company (Dahlquist et al, 2022). Only the periodical net loss is acceptable. Otherwise, the company would get at a considerable risk of bankruptcy and disappearance from the market.

References

Boex, A. (2015). *Why cash flow is more important than profit*. White Papers, 10.

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Dahlquist, J., Knight, R., & Adams, A. (2022). *Principles of Finance*. NY: Open Stax.