**Financial Reporting**

In any industry, whether manufacturing or service, we have multiple departments, which function day in day out to achieve organizational goals. The functioning of these departments may or may not be interdependent, but at the end of the day they are linked together by one common thread – Accounting & Finance department. The accounting & financial aspects of each and every department are recorded and are reported to various stakeholders.

There are two different types of reporting – **Financial reporting** for **various stakeholders** & **Management reporting** for **internal** **Management** of an organization. Both this reporting are important and are an integral part of Accounting & reporting system of an organization. But considering the number of stakeholders involved and statutory & other regulatory requirements, Financial Reporting is a very important and critical task of an organization. It is a vital part of Corporate Governance.

Objectives of Financial Reporting

According to **International Accounting Standard Board (IASB)**, the **objective** of **financial reporting**is “to*provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions.*”

The following points sum up the objectives & purposes of financial reporting –

1. Providing information to the management of an organization which is used for the purpose of planning, analysis, benchmarking and decision making.
2. Providing information to investors, promoters, debt provider and creditors which is used to enable them to male rational and prudent decisions regarding investment, credit etc.
3. Providing information to shareholders & public at large in case of listed companies about various aspects of an organization.
4. Providing information about the economic resources of an organization, claims to those resources (liabilities & owner’s equity) and how these resources and claims have undergone change over a period of time.
5. Providing information as to how an organization is procuring & using various resources.
6. Providing information to various stakeholders regarding performance management of an organization as to how diligently & ethically they are discharging their fiduciary duties & responsibilities.
7. Providing information to the statutory auditors which in turn facilitates audit.
8. Enhancing social welfare by looking into the interest of employees, trade union & Government.

Now let’s discuss few aspects about importance of financial reporting.

Importance of Financial Reporting

The importance of financial reporting cannot be over emphasized. It is required by each and every stakeholder for multiple reasons & purposes. The following points highlights why financial reporting framework is important –

1. In help and organization to comply with various statues and regulatory requirements. The organizations are required to file financial statements to ROC, Government Agencies. In case of listed companies, quarterly as well as annual results are required to be filed to stock exchanges and published.
2. It facilitates statutory audit. The Statutory auditors are required to audit the financial statements of an organization to express their opinion.
3. Financial Reports forms the backbone for financial planning, analysis, benchmarking and decision making. These are used for above purposes by various stakeholders.
4. Financial reporting helps organizations to raise capital both domestic as well as overseas.
5. On the basis of financials, the public in large can analyze the performance of the organization as well as of its management.
6. For the purpose of bidding, labor contract, government supplies etc., organizations are required to furnish their financial reports & statements.