



Q4. STATE THE IMPORTANT OF FINANCIAL STATEMENT TO

1. SHAREHOLDERS

2. CREDITORS

3. GOVERNMENT

4. INVESTORS

SOLUTION:

IMPORTANCE OF FINANCIAL STATEMENTS TO ITS VARIOUS USERS:

1. Shareholders: They are concerned in the profitability and viability of the capital invested by them in the business. The financial statements prepared by the business enable them to have adequate information to evaluate the financial health and performance of the business.

2. Creditors: These are individuals and organisations to whom a business owes money on account of credit purchases of goods and services. Hence, creditors require information about the credit worthiness and liquidity position of the business.

3. Government: It requires information to determine various macroeconomic variables such as national income, GDP, industrial growth etc. The accounting information helps the government in formulation of various policies and to address various economic problems such as unemployment, poverty etc.

4. Investors: These are parties who have invested or are planning to invest in the business of an enterprise. To evaluate the viability and prospects of their investments, investors need information on the profitability and solvency position of the business.

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