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Introduction

In their different ownership structures, business enterprises pursue different strategies towards accomplishing their owners' needs and interests. At the heart of these accomplishments is the generation of sufficient financial returns to cover obligations as they become due and residual incomes for the owners. It is doubtless that without a grip of financial stability, the survivability of for-profit organizations becomes bleak. Financial management plays and instrumental role in this case. The generation of sufficient information for decision making for the business and investors alike is integrally critical in shaping the progression of the business enterprise. While businesses provide financial statements according to prevailing laws and accounting standards to the public for their consumption in decision making, they are further needed to be accountable to them regarding their performance and investors' engagements, especially considering that investors are foundational sources of capital for organizational operations.

Financial Decisions

1.1: Factors guiding business decision-making

Venturing into a business investment requires considering multiple vital factors to this effect. First, decision-makers must analyze the cost-benefit underlying the imminent venture (Atrill& McLaney 2013). In this case, the essence is to evaluate how much the returns would outweigh the costs involved, including but not limited to the time invested. A viable and feasible venture is that which has more returns on investments than the associated costs. Second, it is essential to note that there may be competing ventures in which a business can invest its money and time besides the one in consideration. In the analysis of Chit et al. (2015), opportunity cost relates to capital in which one expects to receive returns on their investments for forfeiting consumption and investing in other promising ventures. If an alternative proves worth investing in than one in consideration, then the business enterprise would choose it instead. Third, decision-makers consider the effects that the venture would have on its available resources. If the investment strains its resources, such as taking much of employees' time, the firm risks losing its current engagements. It is especially pronounced in projects that would take more time to recoup the invested capital as analyzed in the payback model and the time value of money.

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1.2: Significance of financial factors in decision making

As described, for-profit business enterprises' primary focus is to generate healthy financial outcomes for its continuity and the owners' wealth maximization. Going by this focus, decision-makers would be comprehensive in their analysis of business decisions in which they would further their foci on areas that significantly contribute to the firm's growth. In a universal logic, it is plausible to say that a business enterprise's survivability and operational continuity in which it generates positive cash flows is strongly tied to its financial soundness (Damijan 2017; Fattah et al. 2020). Also, financial factors define and shape a firm's financing landscape. Making decisions around these factors is instrumental in ensuring financial stability, which, coupled with quality and compliant reporting, sharpens a firm's access to more financing (Chen et al. 2011). If a firm has to make rapport with and maintain more investors, it has to demonstrate that it can protect their investments and pay returns as promised, which is determined by extensive decision-making by considering inherent financial factors.

1.3: Characteristics of business risks

The universal characteristic of business risks is that they have a direct relationship with returns. As Atrill & McLaney (2013) illustrate, the higher the risk associated with a given investment, the higher is the expected return. The reverse holds for low risks. Therefore, by inference, business enterprises would assume risk-taking traits and invest in risky ventures with expectations of earning high returns. Another feature of risks relates to how they affect a firm subject to its exposure. Risks can be systematic or non-systematic. Systematic risks are those that are uniform across industries and over which a firm has no control (Busse, Dacorogna, & Kratz, 2014). They are non-diversifiable (Al-Qaisi & Al-Batayenh 2018). Contrastingly, non-systematic risks are firm or industry-society, meaning they only affect individual firms in a defined area of operation or based on their operational model, making it possible to diversify in mitigating their impacts (Bakri 2014). The type of risks that a firm anticipates to face would shape the strategies and measures that a firm can take to cushion against their shocks. For instance, a firm can mitigate exchange risks by investing in forwards and futures.

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1.4: Financial priorities

Decision-making in business enterprises should primarily revolve around investments, financing, asset management, and dividend policy (which, of course, is dependent on the type of business structure in question). It is essential to prioritize investing in profit-generating ventures that strengthen the firm's going concern focus. The investments should consider the risks and returns involved and the long-term benefits the same yields to the company. It is paramount for decision-makers to consider the strain the same would have on their assets in undertaking investment decisions. Managers must undertake their investment ventures with impeccable efficiency in utilizing the required resources. The less the assets an investment can employ in an undertaking for higher returns, the better the investment. By achieving investment and asset management goals, the firm would gear its operations for more financing and manage its liquidity and expansion decisions when needed. Since the essence of business is to generate returns for owners, all the above decisions should be made to yield the highest residual incomes for the investors, which can be judged from a firm's dividend policy.

Financial Statements

2.1: Accrual and cash systems of revenue recognition

Financial statements are typically the gateway into a firm's operations over a given period without frequently following updates. As required by law and accounting standards, the statements capture relevant information for the management, investors, and government's use for their diverse reasons. In preparing these statements, financial managers use either the accrual or cash bases subject to the enterprise's scale in recognizing their revenues and expenses earned in a certain period. On the accrual basis, the logic is to recognize revenue when earned and not when the sale materializes into cash receipt (Elliott &Elliott 2013). In this case, while an expense gets incurred during a certain trading period, the firm may not necessarily convert the matching revenue into cash. However, there is the expectation that the same would happen at a later date, perhaps in the following trading period. On the contrary, the cash system recognizes revenue for an expense incurred only when the matching cash has been received (Carlon et al. 2016).

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The choice of either of the two systems has a significant impact on management's decision-making. Since there is an expectation of cash for expenses incurred in the accrual model, managers can plan to anticipate these receipts, particularly when the level of bad debts is low. Additionally, they need to carefully plan their liquidity by balancing their payables and receivables, in which case the ratio between the two should favor their continued operations. According to Elliott &Elliott (2013), the accrual system's use means firms have to make decisions about critical events that support assumptions regarding the recognition of revenues to match the underlying expenses in a trading cycle.

2.2: The structure and content of final accounts and their uses

The final accounts, which include statements of income, financial position, and cash flows, present separate but related company information for the audiences. Although there is no particular format for presenting income statements, Elliott & Elliott (2006) clarifies that they should detail profit and loss, tax expenses, revenue, and finance costs related to a given financial year. Income statements show the net profit and loss expenses incurred during a given financial year. The balance sheet essentially details a company's assets and liabilities as financed by equity relative to debt in a given year. The excess of capital over liabilities defines the invested capital. The statement of cash flows appears in two formats, the direct or indirect (Abu-Abbas 2014), but with information grouped into three categories under operations, investments, and financing activities in a given financial year. The statement completes the financial picture of a firm by furnishing the audience about cash receipts (sources), payments (uses), and the net changes resulting from the three activities under which this information appears (Carlon et al. 2016; OSCRice University n. d)**.**

2.3: Interpretation of statements (Adidas and Nike)

A comparison between Adidas and Nike's financial statements reveals striking similarities. First, the two company's statement presentations begin off with the CEOs' statements, who are the face of the company and the topmost management responsible for the company's performance. Additionally, both companies present to the audience independent auditors' review as required by law and demonstration of transparency. One can note that the two companies present results for the current year against the previous financial years for ease of comparison. As required, the two

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companies accompany their statements with explanatory notes to aid in understanding and interpreting key areas that need clarification.

2.4: Capital and revenue expenditures

Capital expenditure decisions are usually longer-term and involve the purchase of intangible assets designed to foster a form's efficiency over extended financial periods. Since these expenditures are usually irreversible, these decisions take long to plan unless the company intends to incur huge capital losses. They are decisions that entail maintaining a firm as a going concern by ensuring its financial soundness in the unforeseen future. On the other hand, revenue decisions are short-term and quick as they are used to cover costs of assets and resources that are used recurrently in a company’s trading period to cover its operational obligations. By inference, capital expenditure decisions are designed to further the enduring benefit of a firm while revenue expenditure decisions affect its profitability.

2.5: Ratios and their importance in decision-making (Adidas)

I. Liquidity ratios

Liquidity ratios are those that measure a company’s ability to meet its o cover short-term debt obligations as and when they become due. For instance,

Current ratio (CA)=current assets/ current liabilities

Adidas’ CA for 2018 was 9813/6834

=1.436 (Adidas 2018)

The higher the ratio, the more liquid the company is. Adidas demonstrates that it is liquid enough to meet its obligations.

II. Profitability ratios

They measure a company’s ability to generate income relative to revenue in any financial year. They include

Net profit margin=Net profit/Revenue

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Adidas (2018) margin was (1704/21915)*100%

=7.78%

III. Leverage ratios

They aid in establishing the amount of debt and equity that the company employs in its operations. They include

Debt-Equity Ratio= Total liabilities/Shareholder's equity

=9248/6377

=1.45 (in 2018)

The lower the ratio, the better the company is to investors as the amount of debt invested is not high to cause earnings volatility and increase interest expenses.

2.6: Requirements for published accounts of a plc

According to Elliott &Elliott (2006), published accounts should comply with IAS formats or other statutory requirements, with the accounting policies complying with the IAS or other statutory provisions. Financial statements of companies must exhibit and portray a fair representation of the company's true and fair status and its operations and relevance as required by the ISAB (Atrill &McLaney 2013). There presentation should also adhere to the basic rule of going concern. In this case, they are only prepared only under the assumption that the firm in question operates as a going concern; otherwise, other formats should be used as valuations would be affected. The statements should be prepared per the applicable rules of accounting and in period and frequency demanded by the applicable laws, accompanied with explanatory notes to the audience for ease of understanding. For instance, information about newly acquired activities under IFR 5 and the relationship of parties under IAS 24 (Elliott &Elliott 2006) may require notes to aid understanding.

Accountability for Financial Reporting

Financial accountability is an assurance that the management is, in fact, in correct control of the investors' finances and fulfilling the laws to which it relates.

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3.1: Business ethics, governance, and accounting ethics in business controls

Business ethics are a set of principles and standards set in place to guide human behavior and conduct **(**Nainawat & Meena, 2013**).** It is a set of codes that lays down institutional values and beliefs that a person has to abide by in their line of duty. On the other hand, corporate governance entails the agency relationship in which the shareholders elect a board that puts in place the top management to manage a company's affairs in the best interests of the shareholders (Ross, Westerfield, Jaffe, & Jordan pp 2015). According to Albdour (2017), it is a system by which the shareholders control and manage their investments through platforms that ensure that their affairs, which are maximization of wealth in the realm of investment, are catered for in the operational continuity of the firm. Accounting ethics require financial managers to conduct their work with professionalism, honesty, competency, and confidentiality towards realizing shareholders' goals.

3.2: Role of CEO in ethics

In the agency relationship, the board appoints a company's top management to control and manage a company's operations towards stated goals (Ross, Westerfield, Jaffe, & Jordan 2015). The CEO appoints or oversees the chief financial officer's employment, who by this position is the ultimate controller and determiner of a company's financial status and operations. As the topmost in this function, his conduct significantly influences his juniors'. If he behaves ethically as required by business and accounting ethics, there is highly likely to be a trickle-down effect. The reverse holds if his actions are unscrupulous. Additionally, there is the need for him to insist and instill ethical conduct among his juniors to reinforce what they learn and observe from his conduct in a synergistic approach to achieve high levels of ethics in the function.

3.3: Key concepts of corporate governance

Corporate governance revolves around multiple issues that instrumentally shape and define the decision-making landscape and a firm's performance. One of the features is the disclosure, which should be timely and within stated guidelines to enable shareholders to make proper financial decisions (Atrill& McLaney 2016). Accompanying disclosure is accountability in which the directors/governors demonstrate that their actions are in the shareholders' best interest. Accountability includes but is not restricted to appointing independent auditors for transparency.

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There should also be fairness in their tenure in the sense that they do not benefit from inside information, especially regarding the trading of stocks, by their position.

3.4: National and international financial reporting standards

IFRS 6: It specifies the aspects of financial reporting related to costs incurred in exploring mineral resources and determining their commercial and technical feasibility.

IFRS 11: It sets forth the guidelines on reporting by entities in joint ventures or arrangements.

IFRS 12: Requires disclosure of information in other entities to enable risk and return verification by investors

IFRS 16: Requires disclosures of lease contracts and provides information regarding the timing of cash flows and associated uncertainties.

Sources of Finance

4.1: Working capital and long term capital

Working capital is capital depicted by the difference between current assets and current liabilities and whose role is to finance a company's short-term obligations. On the other hand, long-term capital refers to the gains or losses made on the sale of an asset owned for not less than twelve months. Long-term capital is mainly used in financing capital investments (Agar 2005), while working capital caters for revenue expenditures. While companies can effectively manage their long-term capital considering their longer duration, the short duration for working capital makes it difficult to manage, especially when the current assets and liabilities are at par or when liabilities are more.

4.2: Sources of long term and working capital

Companies raise working and long-term capital on two different markets. They raise working capital on money markets and long-term capital on capital markets. Money markets typically connect individuals and institutions with short-term/ temporary surpluses with those with short-term/ temporary deficits, enabling them to manage their liquidity positions. The instruments

connecting these units mature in one year or less (Ross& Marquis 2008). Contrastingly, capital markets are for institutions with long-term needs to finance capital investments. The instruments that enable these interactions mainly mature after one year.

4.3: Importance of working capital to business

As Ross &Marquis (2008) describe, working capital is an essential constitution of the money markets, in which units with short-term surpluses and deficits meet. Since the instruments traded mature in one year or less, they are important in aiding units with deficits to handle their short-term obligations. Working capital, in this case, aids in swift management of a company's liquidity obligations, which are instrumental in maintaining a company's routine operational functionality in any given financial year. An imbalance in working capital in which liabilities outweigh assets clamps continuity as the company finds it hard to settle its obligations as and when they fall due.

4.4: Techniques of managing cash flows and impacts of cash flows

Mangers' attention to cash management is a precursor to achieving liquidity and solvency statuses and building solidly stable companies (Milojevic & Miletic 2014). Companies can manage their cash flows to this effect through multiple strategies. First, they can cut or delay expenses while requesting early payment from customers to increase cash inflows. Second, they can increase their margins by selling at higher prices, cutting costs, or operating by both. Third, they can lease idle or unused equipments to generate more cash and solidify their cash inflows. Fourth, they can achieve this by asking for favorable trading and payment terms from their vendors. For instance, they can request to increase 30-day payments by an additional fifteen days to 45 days.

4.5: Capital investment decisions

Capital budgeting decisions revolve around numerous considerations, including but not limited to the invested capital, time value of money, and the returns that one intends to recoup over the course of the investments. Payback, NPV, and ARR are some of the techniques that are used in making these decisions.

1. Payback

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It entails determining the duration that it takes to recoup the initial investment without regard to the time value of money. If one invests $100000 that pays annual cash flows of 20 000, it will take five years (100,000/20000) to recoup the investment.

1. ARR

In ARR, the intent is to determine the percentage returns that one expects over the investment life. It is also a non-discounted model that takes no account of the time value of money. If one invests $100000 and expects an average of $20000 for five years, the ARR would be

ARR=Average profits/Invested capital

=20/100

=20%

1. NPV

It is a discounted model that, together with IRR, gives a true worth of an investment by evaluating costs and cash flows while considering time value. It is the difference between the present value of cash inflows and outflows (Dayananda et al. 2002**).** If an investment requires a capital outlay of $100000 and expects $20000 in cash inflows for the next five years at a discount rate of 10%, its NPV would be

NPV={20000/ (1.1)1+20000/(1.1)2+20000/(1.1)3+20000/(1.1)4+20000/(1.1)5}-100000

={18181.8182+16528.92562+15026.29602+13660.26911+12418.42646}-100000

=75815.73541-10000

=-24184.26459

Negative NPVs indicate an unworthy investment as does payback regarding long durations to recoup the investment.

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4.6: Off-balance sheet financing

Off-balance sheet financing typically means the management conceals liabilities and assets from the balance sheet (Elliot& Elliot 2006). In this case, the advantage is that the firm can understate its liabilities and avoid raising the alarm about its true position. By doing this, the management can have ample time to adjust and improve the firm's performance. However, this concealment can be dangerous since there is no adequate information for investors' risk assessment of the firm, in which case they are bound to make blind decisions that are likely to erode their investments.

Ownership structures and financial performance

5.1: Financial implications of different ownerships

Sole proprietorships:

Sole proprietors have full and sole control over the business, in which case they share the profits alone. However, they have limited access to capital and have unlimited liability, meaning they can lose their personal property in cases of massive losses. They also suffer losses alone.

Partnerships

Unlike sole proprietors, partnerships have expanded sources of capital, considering that the minimum number required to form is two. However, most of them have unlimited liability (Skripa 2016), inferring that losses spill over to members' property. Additionally, the profits sharing formulae regarding roles (not capital) may trigger management wrangles.

Corporations

Corporations have no maximum limit of owners, meaning their sources of capital are expansive. Their reputation also makes it possible to generate more finances from lenders to grow their businesses. Corporations can also buy back shares to strengthen the owners' ownership and, therefore, their finances. Since they are limited (Skripa 2016), their losses and liquidation issues do not extend to the owners' personal spaces and property beyond what they have invested.

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5.2: Corporate governance, legal, and regulatory environments.

Sole proprietorships observe less stringent legal requirements from formation to their operational functionality. Besides paying taxes in the local jurisdiction, they can wind up without any formal procedure. They are self-managing as the owner is the ultimate and only controller recognized. Partnerships must observe legal requirements in their formation regarding the minimum and the maximum number of partners, the ratio of their capital contributions, and their roles in its management. Additionally, they have to state as required by law the type of partnership (limited or general) they intend to run to determine the extent of liabilities.

Corporations observe a more stringent formation procedure. The law recognizes them as legal entities separate from owners, meaning they can acquire and dispose of property as a person would. They have to adhere to specific disclosure formats, file taxes as required, and comply with other regulatory features. Due to their size, the board, as required by law, represents owners' interests. Their liquidation also follows a particular legal procedure.

5.3: Managers and stakeholders in decision-making

The relationship between managers and shareholders is governed by the agency connection in which the former execute duties to fulfill the latter's interest (Ross, Westerfield, Jaffe, & Jordan 2015). In this relationship, the managers must always manage the company by making decisions that build and further shareholders' interests. However, the separation between the two from the company's routine management may breed an agency problem (Panda& Leepsa 2017). In this case, there is a conflict of interest in which the managers pursue interests that conflict and contradict the initial arrangement.

5.4: Significance of ROCE

ROCE evaluates a company's earnings before interest and tax against its book value of the non-current and current assets (Elliot & Elliot 2009).

ROCE=EBIT/Total Assets

For instance, Samsung's excerpt from the balance sheet and income statement for 2017 was as follows;

EBIT…..50000

Total Assets……400000

Total current liabilities…..100000

Therefore, ROCE =50000/(400000-100000)

=5/30

=16.67%

It demonstrates the management's efficiency in resource utilization was 16.67%. ROCE provides fundamental insights for strategic planning. With other ratios and models, ROCE can be compared to industry peers and longitudinally along the company's arc of history to gauge its performance.

5.5: EPS as a measure of business performance

The EPS reflects the residual for ordinary shares as adjusted for tax, interest, and dividends payments to preference shares (Elliot & Elliot 2009 p. 692).

For instance, XYZ Inc. had a net income of $ 2million in 2017 and announced $ 500000 in dividends. Find the EPS if the outstanding shares were 22 million.

EPS= (2000000-500000)/ 22000000

=$0.0681

XYZ generates $0.0681 for every share. With everything else held fixed, a high EPS indicates a worth investment for investors.

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