BAS
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Financial Reporting

Every business is responsible for maintaining accurate accounting records and making them available for inspection by the IRS, and SEC for publicly traded companies.

Business accounting records must track the income, expenses, and credits reported for the business and support the preparation of financial statements in accordance with US accounting standards.

If misstatements in the financial records, financial statements and associated tax returns are found by the IRS or SEC, the business may be required to explain the items reported. Inaccurate financial statements can not only lead business management to make bad decisions, the inaccuracies could lead to fines and other serious legal penalties.

If the IRS determines that errors in a business tax return are due to ignoring tax laws or failing to apply appropriate care to financial reporting, the business and its management may be assessed penalties for negligence. IRS levied penalties can also apply if errors are due to a business not keeping adequate books and records.

Financial reporting for US business entities follow US GAAP (Generally Accepted Accounting Principles).

In the state of Virginia, only licensed CPA firms may provide financial statement preparation services, compilation services, financial statement audits and reviews. Any business providing these services must have an active CPA firm license and be in good standing.

The most important financial statements for any business type or size are the Income Statement, Balance Sheet, and Cash Flow Statement.

Income Statement:
The Income Statement provides a summary of the business' financial performance over time. This is usually prepared at the end of every quarter or year.

Balance Sheet:
The Balance Sheet is a statement of the business assets, liabilities, and capital reported for a particular point in time. This statement provides a snapshot for what the company owns and owes, as well as the amount of shareholder equity.

Cash Flow Statement:
This statement is a summary of the actual or anticipated inflows and outflows of cash during an accounting period. The cash flow statement reflects the liquidity position of the business. This is used as the basis for budgeting and business planning.

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