

CORPORATE ACCOUNTING

Abstract

In this report, the importance of corporate accounting has been discussed to evaluate the financial statements of Australian company, Common Wealth Bank. It has been estimated from the annual reports of this specified organization that the cash flow statement has been effective leading an overall development. At the same point of time, the revenue generation of this company has experienced an increase in the last three financial years. However, this organization also possesses both deferred assets and liabilities that has occurred from their unused loss of tax. At the same point of time, this organization has been experiencing a greater number of assets than that of liabilities and thus burden from debts has been lower. On the similar context, the dividend shares and equity share also have been significantly high leading a growth in the company's financial statement. This company has been investing in their activities for the society as a whole and thus, a better revenue generation has occurred.

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Introduction

Corporate accounting refers to the financial statements of an organization that evaluated the financial, performance of an organization from statistical reports provided. In this study as well, the financial accounting of Australian Commonwealth Bank has been analysed in terms of its available financial statements.

The increase in the revenue generation and cash flow statement ensured this organization's ability to generate more deferred assets than that of liabilities that have resulted in their development.

1. Reasons for rising Deferred Tax assets and liabilities

"Deferred" tax assets refer to the materials that are included in the balance sheet of a business organization for the reduction of tax-based incomes in the upcoming days. The measurements of the values associated with a current time within an organization are done using the specified assets (Guia and Dantas, 2020, p36(3)). Hence, it can be highlighted that values associated with that of items included within the financial balance sheet enhance the functioning of the deferred "taxes" for predicting a low generation of values that decrease the burden of income incurred from the value of tax.

Business organizations often pay overtly in advanced situations and hence, tax deferring comes into existence. Hence, it can be highlighted that arising of this specified term comes up when a business enterprise pays their taxes in advance to lower risks of decreasing incomes that are to be incurred from its tax. On similar notes, Australian banking organization, Commonwealth Bank has incurred "\$1675 million", in the financial year, 2019 (Commbank.com.au, 2019, p114(1)). Hence, it can be highlighted that this specific organization also has incurred a sum of payments for the reduction of taxed based incomes in advance.

On the other hand, "deferred" tax liability implies a tax that is still lying pending and yet not has been paid by an organization, in their current business position. There comes an existence of deferred tax "liabilities" during a situation when an organization faces a deficit of items and assets that can be paid for mitigation of pending payments for long (Morris, 2017, p200(1)). Hence, it can be highlighted that enterprises that face a lack of states and items for paying payments give rise to the situation of "deferred liability". On similar notes, Commonwealth Bank has incurred a total liability of "\$907170 million", in the financial year 2019 (Commbank.com.au, 2019, p134(1)). Therefore, it can be highlighted that this specified bank enterprise also has contributed to "deferred liabilities".

2. Explanation of unused tax losses leading to recognition of deferred tax.

A business enterprise incurs unused tax losses when it carries all the assets in the future and does all the payments from tax-based incomes in advance. In turn, organizations often utilize the income-based payments entitled for the future giving rise to the situation of unused loss of taxes, and hence, scopes for generating assets become an opportunity for a business institution. On similar notes, assets from the deferred taxes are generally identified when a company carries its "unused tax losses" for gaining a profit on the shares that can be made utilized in terms of the specified payments. The "deferred tax" assets are generally recognized when there is a chance of measuring the liabilities associated with that of the unused loss of payments for gaining the maximum benefits from their payments that have been done in advance from the acquisition of profits (Udeh andEzejiolor, 2018, p1057(1)).

Hence, it can be highlighted that forwarding the unused tax losses plays an important role in the determination of acquisition of better profits by paying all the liabilities in an advancement. Thus, it can be determined that the application of this specified accounting or finance, a statement within an enterprise decreases the chances of liabilities for the long term, and generation of a higher revenue can be ensured. On similar notes, it can be highlighted that Commonwealth Bank also possesses the opportunities of carrying their "unused loss" of taxes for investing them in the future for holding a share profit.

This specified business enterprise has generated an accounting policy that implies that if a company holds any assets or liabilities and assets termed from "deferred" taxes falls under the unused tax of loss that has been further generated from the payments obtained from "subsidiaries" (Commbank.com.au, 2019, p143(10)). On similar notes, it can be highlighted that the ability to carry forwarding of "undue loss" of taxes is generally beneficial for business organizations in possessing greater profits acquired from better revenues. In addition, better revenues lead companies to achieve better scopes for meeting the income taxes on time without helping larger values in terms of liabilities.

In a similar context, Commonwealth Bank has been able to pay "43 billion" payments in form of income tax, in the financial year, 2020 (Commbank.com.au, 2020, p3). Hence, it can be highlighted that this specified organization has been able to recognize themselves as one of the renowned "taxpayers" within Australia. Thus, it can be stated that this organization has been able to utilize their "unused loss" of taxes for generating greater profits, and hence, development within the business has been evident.

3. Conceptual framework of Accounting and generation of assets and liabilities

A conceptual framework refers to the structure that analyses the steps that are to be followed for conducting a business smoothly and decisions making can be effectively done in terms of gaining profit maximization within a business enterprise. At the same point of time, a financial conceptual framework refers to the principles and standards that are required to be followed by an accountant firm for the acquisition of effective financial statements, and restrictions of undue accounting reports can be achieved.

Moreover, the application of a conceptual framework in accounting also highlights all the required financial statements such as “cash flow”, “balance sheet” and “revenue profit and loss” present within the balance sheet existing within an organization (Barker et al. 2020, p324(1)). Thus, it can be highlighted that accountancy reports and financial statements are required within the balance sheet for the acquisition of proper economic values. The major aim of the conceptual framework in accounting is to meet the goals and demands for the acquisition of effective financial reports for the determination of financial values incurred by a company.

On similar notes, Commonwealth Bank has developed a strong balance sheet that has been depicted from the decisions based on the conceptual framework of accounting to obtain a better determination of financial statements within this organization. In the financial year, 2020 this specific organization has been able to generate a total number of assets "\$ 1014060 million" as can be recorded from their annual report (Commbank.com.au, 2020, p108(1)). Therefore, it can be highlighted that the conceptual framework of accounting of this company has been effective and has led it to generate a greater number of assets.

On the other hand, it can be stated that the sudden outbreak of pandemic "COVID-19" has not been able to negatively impact this organization as this specific company used all their assets for reducing risks of liabilities. As has been demonstrated from Commonwealth Bank's annual report of the financial year 2019, the total number of assets achieved by this specific firm has been "\$ 976502 million" (Commbank.com.au, 2019, p114(1)). Therefore, it can be stated that this company has generated better revenues in the financial year 2020 leading it to record a profit.

Liabilities imply when a company has been unable to pay most of their expenses the most and is compelled to meet the demands of other entities for the financial benefits of a company. On similar notes, Commonwealth Bank has recorded total liabilities of "\$ 942047 million" in the financial year, 2020 (Commbank.com.au, 2020, p108(1)). Therefore, it can be highlighted

that this organization incurring liabilities lesser than assets indicates their training financial positions.

4. Evaluation of conditions in which deferred tax can be offset against deferred tax liabilities

Business organizations possess both deferred "tax and liability" that has been posing a financial statement that has been highlighted for the development of an organization. On the other hand, there are conditions when a business organization can use its taxes generated from deferred values for offsetting the liability incurred from the deferred tax. Thus, it can be highlighted when a business organization can only offset assets against its liabilities only when there is an existence of a legal and active law available for making this process active (Sarwar et al. 2019, p218(3)). Hence, it can be demonstrated that the application of a legal informant can only allow an organization to implement their assets against the liabilities of meeting the demands of incurring a profit resulting from the generation of revenues.

On the other hand, the absence of legal enforcement application of assets setting against liabilities is likely to generate an issue within the enterprises that incorporate challenges for the development of a company, and loss in the shares can be achieved. Commonwealth Bank has been successfully providing its customers with services such as "recovery" from economic loss and safeguarding the materialistic belongings of customers (Commbank.com.au, 2021). Therefore, it can be highlighted that this specified organization has been able to generate better revenues and incurred a profit in their shares. On the other hand, it can be highlighted that this specified organization has been able to use its "deferred" assets to offset against their "liabilities" in the longer terms to mitigate risks of an increase in the liabilities.

This specified organization has been able to offset its assets for the reduction of the risks associated with deferred liabilities. Hence, it can be demonstrated that this firm has been enforcing their legal terms for the development of their business by involving their significant increase within their share of profits. As has been obtained from this specified company's annual report of the financial year 2018, the total liabilities incurred by this company has been "\$10247 million" (Commbank.com.au, 2018, p161(1)).

Thus, it can be highlighted that this specified organization has not been able to incur a revenue profit that has led it to face challenges of facing liabilities. On the other hand, this specific organization has recorded a total number of assets ``\$36417 million". Therefore, it can be highlighted that the application of assets as an offset for meeting the liabilities has

been policy as this business enterprise possesses a valid accounting policy for the development of the policy.

5. Critical examination of ASX company and its financial statements

Commonwealth Bank has been successfully doing their business within Australia as the specified organization has been providing their customers with the best of services. In the financial year 2019, this specified business firm can possess a net revenue profit of "\$8.49 billion " after paying income taxes (John, 2019 p1(1)). This has resulted as the company has been able to make incorporate business strategies for simplification of their business. This, more customers have been influenced by their customization within the business, and services have been constantly provided leading this specific firm to develop its business in both terms of financial and overall growth. The "CEO" of this organization has declared that to serve their customers better this company has been trying to invest in their "risks and compliance" for mitigating any external challenges for smooth functioning of the business in longer terms. Therefore, it can be illustrated that as the revenue generation has been effectively achieved, this organization possesses the scope of meeting their liabilities by offering their assets leading to overall business development. On the other hand, this business organization has been able to save a significant amount of "\$222 million" in the fiscal year of, 2019 (Chanthadavong, 2020, p1(8)). Thus, it can be highlighted that as this organization has been able to save a significant expense, the specified organization can utilize this savings as their assets or invest in possessing assets to meet their pending liabilities. On the contrary, deferred liabilities pose threats for business enterprises as the profit shares are likely to be invested in meeting the obligations incurred out of the failure of payments in past events (Brouwer and Naarding, 2018, p205(3)).

On similar notes, finance manager Commonwealth Bank has recorded a total number of liabilities in the financial year, 2019 "\$906853 million (Commbank.com.au, 2019, p114(1)). Therefore, it can be highlighted from this above statement that this specified business enterprise has been unable to make a better profit generation as a huge amount has been paid for meeting liability payments that this organization has been obliged to. At the same point of time, it can be highlighted that this company might not be able to utilize their deferred assets, balancing their liabilities due to the ineffectiveness of accounting policy or legal enforcement.

On the other hand, the burden generated from debts also is a challenge for an organization for their financial development, and only a proper "fiscal" policy can be beneficial in mitigating risks of debts (Hakimov, 2020,p1246(2)). As the annual report of Commonwealth Bank of

the financial year 2018 highlighted, this specific firm also has undergone challenges of incurring debts, and thus, development within the company has become lower. Management of the specified company has invested "\$26868 million " for paying debts incurred by this specified organization (Commbank.com.au, 2018, p163(1)). Thus, it can be demonstrated that even a renowned business firm such as Commonwealth Bank has also incurred challenges associated with increasing debts for not being able to generate revenue, and hence, development has significantly hampered.

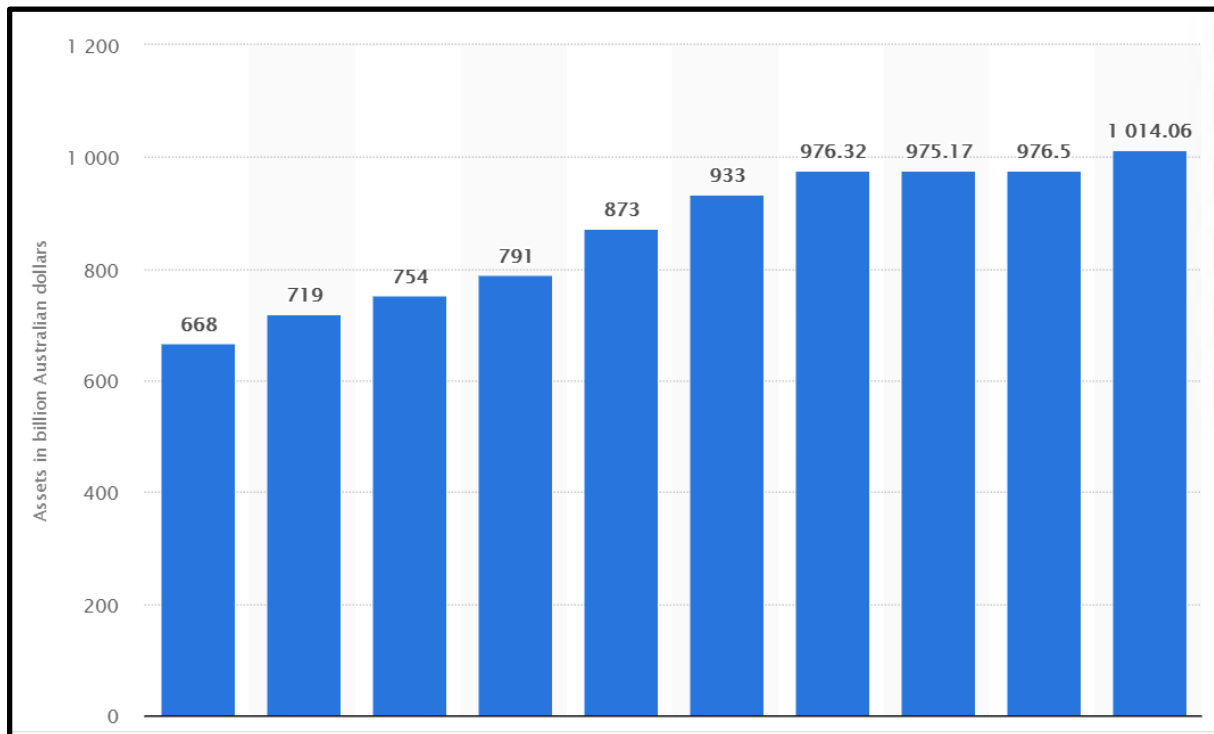


Figure 1: Number of Assets generated by Commonwealth Bank Australia

(Source: Statista, 2021)

On the contrary, a significant presence of assets is beneficial for a company to generate opportunities for incorporation of innovations of an organization, and debts can be met (Sujud and Hashem, 2017, p36(4)). Therefore, as has been highlighted from the above diagram, it can be highlighted that Commonwealth Bank has generated "\$1014 billion" assets in the financial year, 2020 (Statista, 2021, p1(1)). Therefore, it can be demonstrated that Commonwealth Bank Company possesses the options for mitigating their debts and liabilities by investing their assets, and thus, overall development within a business can be ensured. On the other hand, a significant income cost ratio of "43.7%" in the financial year 2020 was primarily experienced by this specific organization (Statista, 2021, p1(1)). Thus, it can be highlighted from the above discussion that this specified organization has been able to

develop its financial statements on each passing year and thus, revenue generation also has increased.

Therefore, it can be highlighted that with an increase within revenue generation, this specific firm has possessed opportunities of reducing their liabilities and burden of debts by utilizing their assets for meeting their obligations (Morosan and Scurtu, 2018, p1117(2)). As the statistical report of this specific company highlights that in the financial year, 2020, it can be estimated that this organization can pay their "debts" successfully within a payable period (Commbank.com.au, 2020, p268(2)). The revenue generation within Commonwealth Bank has increased in the financial year, 2020 than that of 2019 and thus, investment within assets has led this specified company to meet its liabilities and in an effective manner.

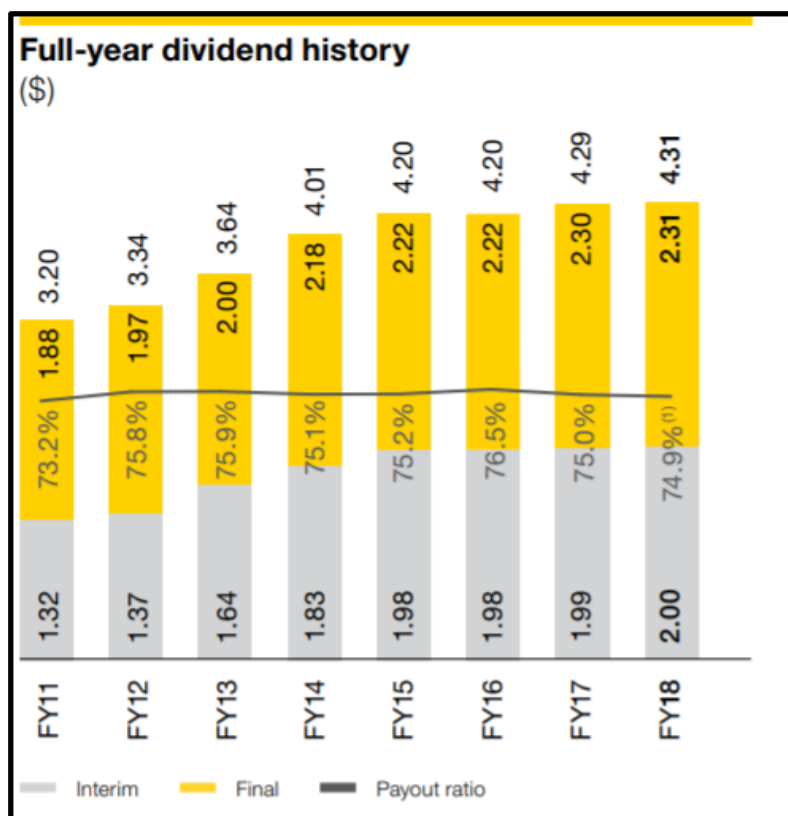


Figure 2: Dividend Shares of Commonwealth Bank

(Source: Commbank.com.au, 2018)

As this above image highlights, Commonwealth Bank has been able to generate a dividend share of "\$4.31 million" in the financial year 2018 (Commbank.com.au, 2018, p63(5)). Therefore, it can be highlighted that the dividend shares within this specified business enterprise have been able to generate an increase within their share of dividends in comparison to other financial years. It can be stated that the "dividend policy" within the company is effective. Thus, an increase in the dividend shares within this organization

implies its smooth functioning of the "cash flow statement" and payments done to the stakeholders have been occurring without any obligations.

On the other hand, this specific organization has been able to generate "88%" of dividend shares in the financial year, 2019 (Commbank.com.au, 2019 p34(4)). Hence, it can be illustrated that this company has been able to acquire a significant amount of revenue that has benefited it in gaining maximum profits and payments have been effectively done to their stakeholders without a failure. On the contrary, to achieve a maximum number of customers practices of sustainability are required in recent times for ensuring protection to the society as a whole (Triatmanto et al. 2019, p232(2)). Therefore, it can be highlighted that business organizations across the globe are practicing activities that benefit both environment and society and thus, financial investments are also accounting. Therefore, it can be estimated that Commonwealth Company also has been practicing activities for society and investing a huge amount of money for achieving the maximum benefits from them. Thus, specific organizations have been investing in providing education to the underprivileged children of the society for developing their careers (Commbank.com.au, 2021, p1(1)).

Therefore, it can be highlighted that the "net profit " generated by this specific organization has been "\$9634 million" (Commbank.com.au, 2020). Thus, this company has been successful in investing a share of their profit for society and influences customers to stay loyal to the customers. Customers' loyalty, in turn, is likely to benefit this organization in an in care in thane sales and hence better generation of revenues can be achieved. On the other hand, this organization has introduced an awareness program known as "Safe and Savvy" for protecting elderly customers from "financial abuses" (Commbank.com.au, 2021, p1(1)).

Thus, it can be highlighted that this specified organization with an operating income of "\$23758 million" has been effectively able to invest its money for serving their customers with bets of services, and thus, financial development has been ensured. On the other hand, equity of shares also contributes to the financial development of a company by having claims over assets for having better outcomes (Sařuga et al. 2020, p4833(3)). On similar notes, it can be highlighted that Commonwealth Bank has also been able to generate significant equity shares that have benefited them in delivering the best to their stakeholders. In the financial year 2019, this specified organization has been able to generate equity shares of "21%" (Commbank.com.au, 2019, p3(2)).

Conclusion

Based on the above discussion, it can be demonstrated that Commonwealth Bank is considered to be one of the largest taxpayers due to their flourishing financial status. The

revenue generation within this specified organization has been perpetually increasing for the last three financial years.

However, this organization possesses both "deferred" assets and liabilities that have been contributing to the growth of the business. However, this organization has been experiencing more assets than liabilities and the burden of debts is lower for this company. Their strategy of utilizing "unused loss of taxes" for making a profit has led this organization in serving their customers better. Investment has been done for the "CSR" activities such as protecting older customers from financial abuses and providing education to children.

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