Goodfellow Corporation Reported Insurance Expense Of $457 For The Current Year. The Beginning And Ending

Goodfellow Corporation Reported Insurance Expense Of $457 For The Current Year. The Beginning And Ending
Understanding how insurance expenses are reported and analyzed is crucial for stakeholders, investors, and management alike. For Goodfellow Corporation, the reported insurance expense of $457 for the current year offers insight into the company's risk management strategies, financial health, and operational efficiency. This article explores the significance of insurance expenses, how they are calculated, and their impact on financial statements, with a focus on the beginning and ending insurance-related balances for the period.

Understanding Insurance Expense in Financial Reporting

What Is Insurance Expense?

Insurance expense represents the cost incurred by a business for premiums paid on various insurance policies during a specific accounting period. These policies may include general liability, property, workers' compensation, health, and other specialized coverages. Recognizing insurance expense accurately is vital because it reflects the company's efforts to mitigate risks and protect assets.

Importance of Insurance Expense Analysis

Analyzing insurance expenses helps in understanding:
- The company's risk management approach
- Operational costs and their trend over time
- The adequacy of coverage and potential underinsurance or overinsurance
- The impact on profitability and cash flow

Breakdown of the Reported Insurance Expense of $457

Components of Insurance Expenses

The $457 insurance expense reported by Goodfellow Corporation can comprise various components, including:

- **Premiums Paid:** Regular payments for insurance policies covering various risks.
- **Adjustments and Accruals:** Adjustments for estimated future premiums or claims, especially if accrual basis accounting is used.
- **Amortization of Prepaid Insurance:** The allocation of prepaid insurance costs over the coverage period.
- **Claims and Losses:** Expenses related to insurance claims made during the period, if applicable.

In the context of Goodfellow Corporation, the $457 likely reflects the total of premiums and related adjustments recognized for the current year.

Beginning and Ending Insurance Balances

Why Are Beginning and Ending Balances Important?

The beginning and ending balances of insurance-related accounts provide a snapshot of the company's insurance assets and liabilities at different points in time. They are critical for:
- Reconciliation of expenses
- Determining actual insurance costs incurred during the period
- Assessing prepaid insurance and accrued liabilities

Prepaid Insurance and Insurance Payables

Typically, companies record prepaid insurance as an asset on the balance sheet when premiums are paid in advance. Conversely, if the company owes premiums or has claims payable, these are recorded as liabilities.

Calculating Insurance Expense Using Beginning and Ending Balances

The general formula for insurance expense based on prepaid insurance accounts is:

Insurance Expense = Beginning Prepaid Insurance + Premiums Paid During the Period – Ending

Prepaid Insurance

Similarly, if accrued liabilities are involved:

Insurance Expense = Payments Made + Changes in Accrued Expenses

---

Applying the Concept to Goodfellow Corporation

Suppose at the start of the year, Goodfellow Corporation's prepaid insurance balance was $200, and at the end of the year, it was $150. During the year, the company paid $407 in premiums. Using the formula:

Insurance Expense = Beginning Prepaid + Premiums Paid – Ending Prepaid
= $200 + $407 – $150
= $457

This calculation aligns with the reported insurance expense of $457, indicating that the expense was properly recognized and that the prepaid insurance accounts were accurately adjusted.

Implications of Insurance Expense on Financial Statements

Impact on Income Statement

Insurance expense appears as an operating expense, reducing the company's net income. Accurate recognition ensures that financial statements present a true picture of profitability.

Impact on Balance Sheet

Prepaid insurance assets decrease as coverage is used up or expires, reflecting the consumption of prepaid premiums. Proper tracking of beginning and ending balances ensures assets are not overstated.

Cash Flow Considerations

While insurance expenses are recognized on the income statement, actual cash flows occur when premiums are paid. Discrepancies between expense recognition and cash outflows highlight the importance of accrual accounting.

Best Practices for Managing Insurance Expenses

Regular Reconciliation of Insurance Accounts

Ensuring that beginning and ending balances are accurate requires periodic reconciliation of the prepaid insurance and accrued liabilities accounts.

Budgeting and Forecasting

Anticipating future insurance expenses helps in cash flow planning and maintaining adequate reserves.

Reviewing Coverage and Premiums

Regular review of insurance policies ensures that the company is not overpaying for coverage or underinsured.

Utilizing Technology and Software

Accounting software can automate tracking of prepaid and accrued insurance, reducing errors and improving reporting accuracy.

Conclusion

Goodfellow Corporation's reported insurance expense of $457 for the current year underscores the importance of meticulous accounting and management of insurance costs. By understanding the roles of beginning and ending balances, companies can accurately recognize expenses, maintain sound financial statements, and make informed decisions about risk management. Proper handling of insurance-related accounts not only ensures compliance with accounting standards but also enhances the company's financial health and operational efficiency.

In summary, whether analyzing the company's expenses for internal decision-making or external reporting, paying close attention to how insurance expenses are calculated and presented is essential. For Goodfellow Corporation, the alignment of beginning and ending balances with the reported expense demonstrates sound accounting practices and effective insurance management.

Keywords: insurance expense, prepaid insurance, accounting for insurance, financial statements, insurance balances, prepaid assets, accrual accounting, insurance premiums, risk management,

financial reporting

Frequently Asked Questions

What does the reported insurance expense of $457 signify for Goodfellow Corporation's current year financials?

It indicates the total amount the company has spent on insurance premiums during the current year, reflecting its insurance-related expenses recorded in the financial statements.

How are the beginning and ending insurance expense balances relevant to understanding Goodfellow Corporation's financial health?

They help track the change in insurance expenses over the period, providing insights into the company's insurance costs trend and whether expenses are increasing or decreasing year over year.

What accounting treatment is typically applied to report insurance expenses like the $457 figure for the current year?

Insurance expenses are recorded as operating expenses on the income statement, reflecting the cost incurred during the period for insurance coverage.

What additional information is needed to analyze Goodfellow Corporation's insurance expense trend over multiple years?

Historical data on beginning and ending insurance expenses for previous years, as well as details on policy changes or coverage adjustments, would be needed for trend analysis.

How might changes in insurance expenses impact Goodfellow Corporation's overall profitability?

An increase in insurance expenses could reduce net income, while a decrease could improve profitability, making insurance costs an important factor in financial performance analysis.

Additional Resources

Insurance Expense Analysis for Goodfellow Corporation: A Comprehensive Review

Understanding a company's financial health often hinges on examining its expenses, with insurance expenses playing a crucial role in safeguarding assets and ensuring operational continuity. In the case of Goodfellow Corporation, the reported insurance expense for the current year stands at $457. To fully grasp the implications of this figure, it’s essential to analyze the context, components, and potential factors influencing this expense. This review delves deeply into the details surrounding Goodfellow Corporation’s insurance expense, including its beginning and ending balances, and offers insights into what this means for the company’s financial stability and risk management.

Overview of Insurance Expense Significance

Insurance expenses are an integral part of a company's operational costs. They reflect the premiums paid for various insurance policies that protect the company’s assets, employees, and operations. A typical insurance expense encompasses premiums for:

- Property insurance
- Liability insurance
- Workers’ compensation
- Health insurance (if considered operational expense)
- Other specialized coverage (e.g., cyber insurance, vehicle insurance)

For Goodfellow Corporation, an insurance expense of $457 suggests a relatively modest outlay. To interpret this figure effectively, one must consider factors such as the company's size, industry standards, and risk profile.

Contextualizing the $457 Insurance Expense

Comparative Industry Analysis

- Size and Industry Norms: Small to medium-sized companies often have lower insurance expenses compared to larger corporations. Industries with high risk profiles, such as manufacturing or construction, tend to spend more on insurance premiums.
- Benchmarking: Comparing Goodfellow Corporation’s expense to industry averages can reveal whether $457 is aligned with expectations or indicates potential underinsurance or overinsurance.

Time Frame and Reporting Period

- The figure of $457 pertains to the current fiscal year. It's important to understand whether this covers a partial period or the full year.
- The beginning and ending balances, typically derived from the previous and current year’s insurance payable accounts, provide insight into the company's insurance policy coverage duration and renewal cycles.

Insurance Policy Types and Coverage Scope

- Given the modest expense, it’s plausible that Goodfellow Corporation maintains basic coverage, possibly for property and liability.
- The company may have negotiated favorable terms, or it might be self-insuring certain risks, reducing premium costs.

Beginning and Ending Insurance Balances

Understanding Beginning and Ending Balances

- Beginning Balance: Represents the insurance payable or prepaid amount carried over from the prior reporting period.
- Ending Balance: Reflects the outstanding or prepaid insurance at the close of the current fiscal year.

Implications of Balances on Expense Calculation

- The insurance expense reported typically results from adjusting the beginning balance for payments made and recognizing any changes in the insurance payable or prepaid accounts.
- For example, if the beginning balance was high and payments were made during the year, the expense would be adjusted accordingly, ensuring accurate reflection of the period’s costs.

Potential Scenarios Based on Balances

- Increase in Ending Balance: May indicate premiums paid in advance, or that coverage was extended or renewed at a higher premium.
- Decrease in Ending Balance: Could suggest payments made for coverage, or a cancellation or reduction of policies.

Factors Influencing the Insurance Expense of $457

Company Size and Asset Base

- Smaller companies with limited assets tend to have lower insurance premiums.

- For Goodfellow Corporation, a $457 expense indicates either limited coverage or a minimal risk profile.

Coverage Types and Policy Limits

- The scope of coverage directly impacts premium costs. Basic coverage with high deductibles can lower expenses.
- The company might have opted for minimal coverage, or some policies might be self-insured.

Renewal and Policy Management

- Insurance premiums often fluctuate based on renewal cycles, claims history, and negotiations with providers.
- A stable or modest expense could suggest effective risk management and renewal strategies.

Risk Management and Loss Prevention

- Implementing safety protocols and loss prevention measures can reduce insurance premiums.
- Goodfellow Corporation’s low expense might reflect proactive risk mitigation efforts.

Economic and Market Conditions

- Market rates for insurance premiums can vary based on economic conditions and industry trends.
- If premiums have generally decreased, the company might have benefited from favorable market conditions.

Implications of the Reported Expense on Financial Statements

Impact on Profitability

- An insurance expense of $457 is relatively minor in comparison to overall revenues or profits, suggesting that insurance costs are not a significant burden.
- Maintaining low insurance expenses can positively influence net income.

Effect on Cash Flows

- Insurance premiums are typically paid periodically, affecting cash flow timing.
- The expense figure indicates the amount recognized during the year, but actual cash payments might be higher or lower depending on policy terms.

Balance Sheet Considerations

- The beginning and ending balances of insurance-related accounts (prepaid expenses or accrued liabilities) provide insights into the company's payment schedules and coverage periods.
- A careful reconciliation of these balances ensures accurate financial reporting.

Potential Risks and Opportunities

Risks of Underinsurance

- A low insurance expense might suggest minimal coverage, which could expose the company to significant financial risks in the event of a loss.
- Regular reviews of coverage adequacy are essential to balance cost savings with risk mitigation.

Opportunities for Cost Optimization

- If the current coverage is sufficient, the company might explore bundling policies or negotiating better rates.
- Periodic reassessment can identify areas where coverage can be optimized without compromising protection.

Monitoring Future Trends

- Tracking changes in insurance expenses over subsequent years can help identify trends, such as increasing premiums or improved risk management.
- Adjustments to coverage should be informed by both operational needs and financial considerations.

Conclusion and Final Thoughts

The reported insurance expense of $457 for Goodfellow Corporation, coupled with an understanding of beginning and ending balances, paints a picture of a company with modest insurance costs, likely reflecting a small risk profile or a strategic approach to coverage. While the expense figure itself is relatively low, it warrants a comprehensive review to ensure that coverage remains adequate, premiums are competitive, and the company’s risk exposure is appropriately managed.

In the broader context, this expense signifies prudent financial management if aligned with the company's size and industry standards. However, ongoing vigilance is necessary to prevent potential underinsurance and to capitalize on opportunities for cost savings. Regularly analyzing insurance expenses in conjunction with balance sheet data and risk management strategies will help Goodfellow Corporation maintain a balanced approach to safeguarding its assets while optimizing costs.

By maintaining a keen eye on both the quantitative figures and qualitative aspects of its insurance policies, Goodfellow Corporation can ensure that its insurance expense continues to support its operational stability and long-term growth objectives.

Goodfellow Corporation Reported Insurance Expense Of 457 For The Current Year The Beginning And Ending

Goodfellow Corporation Reported Insurance Expense Of 457 For The Current Year The Beginning And Ending

Related Articles

- Consider The Form Of These Songs. Do The Songs Have A Very Rigid, Clear Structure Or Do They Have A More
- Esme Bought 7 Novels. She Also Bought A Dictionary That Cost $26. She Spent A Total Of $82.If Each Novel
- At The Beginning Of The Day, Julias Mood Was Clear. It Was Foul. No Matter What She Did, She Didn't Feel

Back to Home