

Disclosure Analysis

Name

ACC/422

Date

Instructor Name

### ***Disclosure Analysis***

Chipotle Mexican Grill, Incorporated a public limited liability company has a mandatory obligation to prepare financial statement in a manner prescribed in the Financial Accounting Standards Board - FASB standards. These are guidelines intended to promote corporate governance through objective financial reporting. In order for the financial statements to be complete, it is necessary that proper disclosures in accordance to the FASB standards are followed. This paper will consider in detail the areas of accounts receivable, inventory, cash, and cash equivalents with regard to reporting from the consolidated balance sheet, income statement, and cash flow statements of Chipotle Mexican Grill, Incorporated.

### **Financial Disclosure Analysis**

Financial reporting objectivity will always be enhanced through standardized financial reporting where the financial items disclosures are incorporated into the accounting statements (Schroeder, Clark, & Cathey, 2010). Financial accounting disclosures according to the International Accounting Standards and the Financial Accounting Standards Board resolutions stipulates the importance of financial disclosures as facilitating clarity and easy understanding of financial reports.

### **Cash and Cash Equivalents**

Chipotle Mexican Grill, Incorporated needs to make sure that its financial statement gives information relating to their ability to generate cash and cash equivalent. This is a standard measure of any business success, which should also include notes explaining the contents of cash and cash equivalents to avoid nondisclosure of critical information. In the case of Chipotle Mexican Grill, Incorporated, cash, and cash equivalent notes has further been clarified as shown

in the balance sheet and the cash flow statements reports. This included cash in hand, demand deposits, and highly liquid investments instruments with a maturity of three months or less.

Chipotle Mexican Grill, Incorporated has recorded a cash and cash equivalents amounting to \$224,838,000. Components of cash and cash equivalents shall always include; composition of cash and cash equivalents, reconciliation by way of cash flow statement, policy for determining composition for cash, and cash equivalents, changes in policies, significant cash, and cash equivalent contributor like a subsidiary (Gibson, 2010).

### **Receivables**

The company receivables in the financial statements are found in the balance sheet, which makes them part of the working capital and current assets. Receivables are therefore a right to receive money on demand, fixed future date, or determinable dates according to the agreement between the company and the debtor (Needles & Marian, 2010). Chipotle Mexican Grill, Incorporated, shows accounts receivables valued at \$ 5,658,000 corresponding to tenant improvement reimbursements from landlords. These receivables are valued less allowance for doubtful accounts according to the company's estimates, which presently total \$102,000. As compared to the previous year, the company's provision has dropped from \$339,000, which indicates reduction in credit risk associated with receivables or improvements in the company's credit policy. It is also very clear that the company's credit risk may be lower with regard to receivables because the company's debtors are still the landlords of the company. Receivables are an asset that must always be disclosed and aggregated according to the period due. This will improve on the qualitative and informative aspect of the financial statements. With regard to Chipotle Mexican Grill, Incorporated, there has been no proper disclosure of accounts receivables because there has been no accounts receivable breakdown according to the aging