

Understanding Company Accounts Subject Advice

Library and Learning Support provides an extensive collection of online and print resources. Our print collections are held at The Sir Michael Cobham Library at Talbot Campus (TC) and the Bournemouth House Library (BH) on the Lansdowne Campus. The Library i-Floor at the Executive Business Centre (EBC) is available to accredited Business School staff and students.

Searching for Information:

To start your research, login to myBU here
<http://mybu.bournemouth.ac.uk/> where you can:

- access the Academic Skills tab on myBU for advice and guidance about university study skills.
- access your reading lists within 'My Units' on the Home tab;
- use the dictionaries and encyclopaedias for definitions and background information (access via the 'Reference Works' link on the Library tab);
- use mySearch on the Library tab to search across electronic databases we subscribe to, as well as our Library Catalogue, for books and journal articles;
- for a more focussed search on a selected database, use the 'Databases' link on the Library tab;

You can also access Library resources via the Library website www.bournemouth.ac.uk/library. This guide refers to links on the myBU Library tab. If you require help with navigating the Library website, just contact us.

Subject Advice Services:

We offer help and advice on information resources when you are researching for your assignments or dissertation. You can drop into the Library, make an appointment with your Subject Librarian, or use our online services.

- Ask for help at the Subject Advice Desk.
- Use the online Chat Enquiry Service for a one-to-one discussion with our Library staff.
- Phone our dedicated help line +44 (0) 1202 965959.
- Follow our blogs: Library and Learning Support News, Research Support, Subject Librarians' Blogs. All available via the myBU Library tab.
- E-mail your Library Support Team to make an appointment, at bsibteam@bournemouth.ac.uk.

Resources for your subject:

Off campus access

You will require your University login details to access our online databases when you are off campus.

Books

The Library Catalogue contains details of our print collection and provides access to electronic books. Select the 'Look for book or journal' link on the myBU Library tab. Search the Catalogue for authors, titles or using subject terms. Results indicate the campus location of printed books and a shelf mark (found on the spine label).

To find a specific title, ensure you have the complete shelf mark including letters after the numbers. If QR or F&S precede the shelf mark, it is part of our reference collection which must remain in the Library and cannot be loaned.

Introduction to Company Accounts:

UK companies are required to publish accounts of varying complexity. Depending on the size of the company, different information is required by the UK's company regulations. The Companies House website (www.companieshouse.gov.uk/) for example provides guidance concerning exceptions for small companies and charities.

Other countries may have different regulations and may not enforce the submission and publication of accounts as stringently as the UK, so information on overseas companies may be more limited. For example, private companies in the US are not required to file detailed financial information. If you are unsure of where a company is based, you will find advice in the guide *Finding Information on Overseas Companies*.

Company Accounts Structure:

Sections included are:

- **Profit and Loss Account:**

A yearly summary giving the company's turnover minus all expenses and other losses. This gives the company's profit and will also state any taxation payable and dividends to shareholders. In published accounts this is usually compared against the previous year, allowing comparison to be made.

- **Balance Sheet:**

This summarises the assets of the company against liabilities, so that:

Assets – Liabilities = Net Worth (which can be negative if liabilities outweigh assets).

- **Cash Flow Statement:**

This charts the location and movement of cash within the company, such as taxation, financing share ownership, financial investment and servicing of financial arrangements.

- **Notes to the Accounts and Other Information:**

In addition, published accounts will also provide notes to aid understanding of the calculations and additional information about how the calculations have been made. There will also be commentary on the accounts and supplementary information, including Directors' reports and possibly biographies, a Corporate Governance statement and a review of Directors' remuneration. If appropriate, there will be a breakdown of sales by geographical region and by division or segment of the company. In addition, there will be a statement from the company's auditors confirming that the accounts have been correctly prepared.

Ratios within Accounts:

Within the accounts, will be some of the ratios outlined below. These ratios are used by investors and accountants to assess the company's performance over time and whether they are likely to be a good investment opportunity.

The ratios are given for the current and previous year to allow comparison. When using accounts provided by databases such as Thomson Analytics, ratios for additional years may be available to allow comparison over a longer time period than would be possible in the company's own published accounts.

When comparing companies, it is important to consider the industry sector as a whole. For example, a company may have a low Return on Investment. In one industry this would be a sign of trouble, whilst in another sector this would be quite common. Therefore it is important not to view these ratios in isolation, but use them as a tool to assess the company's performance against others.

Types of Ratios

These definitions are given as guidance only. Further information on the calculations and significance of these ratios is provided in a number of texts, as located by the section Sources of Information.

- **Liquidity**

Current and long term cash available to cover expenses. If a company is unable to cover expenses when they fall due, a company may go into "liquidation" as they do not have sufficient "cash-flow" to support their debts. Such ratios can be used to review the stability of the company. Examples include Cash debt Coverage and Working Capital Ratio (Current Ratio).

- **Financial Structure**

These ratios consider how a company is being financed and can indicate its long term prospects. Such ratios include Degree of Capital Gearing and Dividend Cover.

Efficiency

These ratios are concerned with how hard the company's assets are working and how well the company is managing account processes. These include Average Debtor Days and Asset Turnover

- **Profitability**

A range of ratios used to measure how much profit the company is making from products or services. Examples are Return on Capital Employed, Rate of Return on Sales and Rate of Return on Assets.

- **Investor Ratios**

These ratios suggest the company's performance in terms of an individual investor. The major ratios are Earnings per Share, Return on Equity, and Dividend per share

Sources of Information:

Indicative texts include:

Holmes, G.A., Sugden, A., and Gee, P. 2008. *Interpreting company reports and accounts*. 10th ed. Harlow: Financial Times Prentice Hall.

Shelf mark: 658.1512 HOL and (9th ed) e-book.

McKenzie, W. 2010. *FT guide to using and interpreting company accounts*. 4th ed. London: Financial Times Prentice Hall.

Available as e-book.

Parker, R.H. 2007. *Understanding company financial statements*. 6th ed. London: Penguin.

Shelf mark: 657.3 PAR

Pendlebury, M. 2004. *Company accounts: analysis, interpretation and understanding*. 6th ed. London: Thomson.

Shelf mark: 657.30941 PEN

Reid, W. 2005. *The meaning of company accounts*. 8th ed.

Aldershot: Gower. Shelf mark: 657.3 REI

Walsh, C. 2006. *Key management ratios: master the management metrics that drive and control your business*. 4th ed. Harlow: Financial Times Prentice Hall. Available as an e-book.

Electronic Resources

These include services that:

1. Reproduce company annual reports online;
2. Provide financial data – in varying levels of detail – from company annual reports together with ratios and some analysis and graphing of data.

The following table indicates the content and range of such services. You may need passwords to access these resources, these are available via the myBU Library tab:

Key to services (number corresponds with numbers noted previously)

Online resource	Scope	
AMADEUS	Financial accounts for the past 5 years and management details on the top 500,000 public and private companies actively trading in 43 European countries.	2
FAME	Financial accounts for up to the past 10 years for c3 million active UK companies (public and private) registered at Companies House.	2
Hoover's Online:	Financial and broker data (and linked SEC filings) on US quoted and major multi-national companies, plus summary financial data on c78 million businesses worldwide	1, 2
Thomson Analytics	Detail financial, ratios, share price and broker estimates information for over 50,000 companies worldwide, plus links to downloadable annual reports.	1, 2

In addition, the Library's Company & Industry Information Subject Resources web page – http://www.bournemouth.ac.uk/library/resources/resources_comp_ind_info.html - includes links to free (or free registration) Company Directory and Company Annual Report Online Request Service websites.

BS Library Support Team
bslibteam@bournemouth.ac.uk
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