

### Unit 3: Financial Reporting & Interpretation

Syllabus Section	Learning Outcomes	Suggested Teaching Activities	Resources	Online Resources
Interpretation and analysis	Students will be able assess and comment on the quality of the performance of companies by comparing trends studying inter-firm comparisons.	<p>Introduce students to the pyramid of ratios and demonstrate the relationships between them.</p> <p>Calculate ratios from the information obtained from the published accounts obtained from companies. The students should discuss the reliability of the ratios they have calculated. What further information do they require? Where may they find it?</p> <p>Give particular attention to</p> <ul style="list-style-type: none"> <li>the model for each ratio</li> <li>expressing ratios as percentages, monetary amounts, true ratios, times etc. trend analysis and inter-firm comparison the relationship between the primary ratio and the secondary ratios concise and informative comments on uses of, trends in, and comparisons of ratios.</li> </ul>	<p>(Randall, 2005, chapter 28)</p> <p>(Randall, 1996, chapter 24 questions)</p> <p>(Wood &amp; Sangster, 1999a, chapter 33 &amp; 44 questions)</p> <p>(Wood &amp; Sangster, 1999b, chapters 34 &amp; 35 questions)</p> <p>(Wood &amp; Sangster, 1998, chapter 15 questions)</p> <p>CIE papers 9706/04 June 2003 Q1 (b)(c), 9706/04 Nov 2003 Q1, 7110/02 Nov 2002 QS 2 and 5 &amp; 9366/02 Nov 2001 Q2</p>	<a href="http://www.bized.ac.uk./compf act/ratios">http://www.bized.ac.uk./compf act/ratios</a>
Company financing	Students will recognise the various sources from which companies' activities are financed. They will understand the importance of the finance being obtained from suitable sources.	<p>Describe the various sources of finance and their suitability and limitations; the need to finance long term investment from long term sources. Explain "window dressing".</p> <p>Students should examine companies' published accounts and note how long term requirements have been financed from long term sources. What are they? What short term sources are being utilised?</p>	<p>(Randall, 2005, chapter 29)</p> <p>(Randall, 1996, chapter 25 exercises)</p> <p>CIE papers 7110/02 Nov 2001 Q1 &amp; 9706/04 June 2003 Q1(d)</p>	

		<p>Does the audit report state that the company is relying heavily on short term finance? Is there any indication that the company may become a non-going concern (often referred to as a 'gone concern'!)?</p> <p>Give particular attention to</p> <ul style="list-style-type: none"><li>• the uses of short, medium and long term form of finance</li><li>• the limitations of financial statements in the context of this topic</li><li>• window dressing the value of forecasts and budgets.</li></ul>		
--	--	--	--	--