

Key elements in annual report memo

Finance



Contents of an Annual Report BUSINESS MEMORENDUM By:

_____ MEMORENDUM September 12, B.

R. Neal, Director of Marketing

FROM: Author's Name (Deputy Finance Director)

SUBJECT: Contents of an Annual Report.

As you know, being a public listed company, every year we are required to prepare a financial report that serves as a year-end summary of company's performance and financial status. It is the mean of communication between the company and its current and future investors. Therefore, it is of great importance for us that every question, raised by them, is properly answered and they feel fully satisfied. You are familiar with the annual report; however, to ensure investors satisfaction, we are listing down some most essential elements of the report along with a brief explanation of each for your help.

1. The most widely read is a message by the Company's Chairman, highlighting, the company's performance for the year. Important topics of great interest, like new products of services should be highlighted. Other topics investors want to know also be included such as:

- a. ' Director's Remuneration ', how and how much he is paid.
- b. ' Corporate Governance' how director maintains control over the company.

2. Then comes the financial statements

- a. Income statement; It shows the company's Profit earned in current year after subtracting Expenses from Revenue (Sales).
- b. Balance Sheet: It consolidates company's financial position on the last day of its current financial year. Components are:
 - i. Assets: What company owns(e. g. land, machines, vehicles, bank, cash,

<https://assignbuster.com/key-elements-in-annual-report-memo/>

etc)

ii. Liabilities: What company owes(e. g. short term loans, long term loans, etc)

iii. Shareholder's Equity: The sum of what is left is the company sold its all assets and from that pays of all its liabilities.

c. Cash Flows: the most important element to represent company's financial strength. It explains where the cash is coming from and where it is being used.

3. All of the above financial statements are presented in the report in comparison with last year's statements. It's a good way to know whether the company has achieved the goals it has set or not and the reasoning for the following could be provided in ' Notes'.

4. Fundamental Analysts and investors pay close attention to the figure of Gross Profit Margin (Profit company makes without taking in account the operating cost) and Net Profit Margin (Profit after expenses are deducted). They make a major impact on their decision making.

5. Auditor's report, providing auditor's independent view on credibility of the company is a major element affecting company's image.

I hope that the information provided would prove to be helpful. In case of any further queries please dial my Ext. 876.

References:

1. Krantz, M. (November 2009). Six Things in an Annual Report Necessary for Fundamental Analysis. Fundamental analysis for dummies. (1st ed.). USA: USA Today. (Book)