

A financial analysis of next

[Finance](#), [Financial Analysis](#)



Introduction

Accounting is the process of recording, classifying, and reporting and interpreting the financial data. Accounting provides a key source of information about a business to those who need it, such as managers or owners. The framework makes cash and profit can be monitored, planned, and controlled. It is essential to the running of any business or organization. Finance exists to help users to make better decisions and is concerned with the financing and investing activities of the business. This essay will discuss the roles of accounting and finance within an organization and include a financial analysis of NEXT, which through the following structure: the next section identifies the roles of accounting and finance to NEXT. Section three makes some financial analyses, including the discussion of NEXT, evaluation of its finance, and ratio analysis. The fourth section is to examine the application of roles to NEXT. The final section is to make a conclusion.

Roles of Accounting and Finance

There are three main roles in accounting and finance within an organization.

Financial Accounting: Deals with the mechanistic bookkeeping progress and the preparation and interpretation of the financial accounts. For companies, it also includes the preparation of the annual report. It concludes measuring and reporting financial position, financial performance, and analyzing and interpreting financial statements.

Financial Management: It is about managing the sources of finance of an organization that involves ' managing the working capital (that is, short-term

assets and liabilities) of a company or finding the cheapest form of borrowing.

Management Accounting: Covers the internal accounting of an organization. It consists of costing, budgeting, standard costing, short-term decision making, strategic management accounting, capital investment appraisal, and discounted cash flow. IBID).

Financial Analysis

Discussion of NEXT

NEXT plc is a UK based retailer offering exciting, beautifully designed, excellent quality fashion and accessories for men, women, and children together with home products. The company was founded by Joseph Hepworth in Leeds in 1864. The first NEXT shop opened on 12 February 1982. In 1986, Davies moved the headquarters from Leeds to Leicester, to be closer to the main garment manufacturers. In autumn 2009, NEXT plc launched an online catalog for the United States offering clothing, shoes, and accessories.

It distributes through three main channels: Next Retail, a chain of more than 500 stores in the UK and Eire; NEXT Directory, a home shopping catalog and website with nearly 3 million active customers; and NEXT International, with more than 180 stores around the world. NEXT also has a growing website capability in more than 30 countries worldwide. In the UK, there are three analogous brand companies like Top shop, Monsoon, and Aquascutum. They all operate as similar home products as NEXT, like clothing, footwear, and accessories for men, women, and children and have online services and

various strategies. It is obvious to increase competition for NEXT. While for NEXT, they use their influence to promote good practice and raise awareness, believe working together in partnership is the best way they can make a positive difference. Using approaches to improve energy efficiency and reduce energy use, minimize the waste produced and increase the quality recycled, increase the efficiency of their delivery fleet help NEXT to increase revenues, profits, earnings per share, and dividends per share from 2010 to 2011. It is believed that NEXT will have a brighter future.

Term loans tend to be cheap to set up and can be quite flexible as to conditions. Besides, corporate bonds are a type of long-term loans. In 2010, it is 520.9 million and 471.2 million in 2011. The decreased gearing ratio states the company has a lower risk to pay the interests on its loans.

Bank overdrafts: The bank overdrafts in 2010 are 4.7 million and 10.2 million in 2011. It represents a very flexible form of borrows and easy to arrange as the size of the bank overdraft can be increased or decreased.

Debt factoring: Take over NEXT's debt collection agencies. ' It can result in savings in credit management and create more certainty with the cash flows.

It can also release the time of key personnel for more profitable activities.

The decline in this ratio is because of the change in the cost of goods sold, the stock sells more expensive; this year more inventory wastage and fewer product selling than last year. The net profit margin increased 1.09% due to the expenses being controlled very well. The business can make more profit, means the bigger, the better. The ROCE ratio increased 3.29%, which comes from the returns from the bank. It measures high efficiency the assets are

used to generate profit, the bigger ratio, the better return. The asset turnover decreased 0.04. This result is affected by increased ROCE.

Therefore, it is bad for the company. It may be because of incurring lower expenses, such as discounts allowed to customers who pay quickly in 2010. The trade payables turnover increased 2.7 days, in the average length of time that elapsed between buying inventories and services and paying for them. This result depends on the length of the credit period agreed with trade creditors. It decreased 0.09 because of the type of the business of NEXT, the higher the ratio, the more liquid the business is considered to be, the decline is good for the company. The quick assets ratio decreased 0.13 due to stocks removed from the numerator. 'The optimum range is usually considered to be in the range 0.75-1.00. It is obvious to see that the 'liquid' current assets do not quite cover the current liabilities, so the business may be experiencing some liquidity problems.

Application of ratios to NEXT Based on the annual report and accounts of NEXT in January 2011, it is one part of financial accounting. The financial statements such as Income Statement, Balance Sheet, and Cash Flow Statement show evidence of financial accounting because all of the financial information and financial ratios can help to assess the financial health of NEXT and examine various aspects of financial position and performance. They are helpful to plan and control operating purposes for NEXT. By considering the main sources of finance of NEXT to examine various aspects of the capital markets and identifying the factors that must be taken into account when managing the working capital of NEXT, the business can make financing decisions on investment and new objectives, and so on. This evidence can

be the role of financial management. Because of the management accounting consists of costing, budgeting, standard costing, short-term decision making, strategic management accounting, capital investment appraisal, and discounted cash flow. There is no evidence in this case, therefore, For NEXT, it has no management accounting.

Conclusion

In order to make a financial analysis of NEXT plc, the essay was first to identify the three main roles of accounting and finance to an organization, they are financial accounting, financial management, and management accounting. After that, it discussed some issues of NEXT, such as history, size, future, economic climate and topical information, and so on. Based on the NEXT annual report and accounts in January 2011, to understand how the company is financed, the report has listed some sources of finance that NEXT used, added the changes, and the reasons as well. Following was the ratio analysis for NEXT, including profitability, efficiency, liquidity, capital structure, and investment ratios. Through the results, it was clear to see the trend and effects on NEXT. Finally, by examining the annual report and accounts, it has applied the roles of accounting and finance to NEXT. In this case, NEXT plc applied financial accounting and financial management. To sum up, financial analysis is an important basis for evaluating the financial position and operating performance. It also realizes financial goals and the important steps to implement correct investment decisions.

Reference

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