

Business skills - interpretation

Business



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Interpretation Trading profits The following graph shows trend in the company's trading profits for the period beginning in the year 2011 and ending with forecast of the year 2016.

Graph 1: Trading profit

UK, as a separate segment from Europe, is the most significant source of the company's profits while the US is the least. UK reported the highest profits in most periods, reporting \$ 2504 million in the year 2011, about four times more than profit contribution from the second segment. A drastic fall was however reported in the year 2015, from \$ 2119 million to \$ 467 million, and this suggest emergence of a weakness or a threat to the company (Ferrell & Hartline 2012, p. 85). Similarity of trend between total profits and profits from UK segment also shows significance of the segment to the company's profits. The United States segment is the least contributor to the company's profits as its best performance is operation at break even point (Mowen, Hansen, & Heitger 2015, p. 122). All of the segments, however, reported volatile trends that also declined over the period. The following chart shows average profit contribution of all the segments over the considered years.

Graph 2: Average trading profits

The UK contributed an average of 61 percent of the company's profits over the years and can be projected to continue being the main source of profits in the short run while The United States operates under losses and is likely to continue in the trend.

Revenues

The following graph shows trend in revenue.

Graph 3: Trend in revenue

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The UK is the significant revenue generating segment and this explains its profit significance. In addition, revenues from the UK has the same trend as that of total revenue and this means that it is core to the company's income. Trend in revenue is also less volatile and increasing, and indicator of sustainable growth. The difference shows that expenses that the group incur in its activities are more volatile than are revenues, because profit is a factor of expenses (Porter & Norton 2012, p. 70). Existence of the UK as the source of revenue and the trend that suggest profitability in the other segments also means that the company can expand its operations in the UK and in the other segments, as an optimization strategy. The United States, unlike other segments, however, is not promising to the group as the following chart shows for average revenues.

Graph 4: Average revenues

References

Ferrell, O & Hartline, M 2012, Marketing strategy, Cengage Learning, Mason.

Mowen, M Hansen, D & Heitger, D 2015, Cornerstones of managerial accounting, Cengage Learning, Mason.

Porter, G & Norton, C 2012, Financial accounting: The impact on decision makers, Cengage Learning, Mason.