

# What is investment and an introduction to investing

[Finance](#), [Investment](#)



## Introduction

### **What is investment and an introduction to investing**

Investment is a term to describe in business, which is totally dependent on how money or capital used to buy assets or where as the financial instruments which is to create profit return which is used to relating to the interest and income. The different types of investment used in finance are when purchasing securities or any other financial assets that are purchased from the capital market. Investment describes that when you are buying in the capital market it shows that a market has a high liquidity. Real life examples of investment include buying properties, gold, silver, insurance companies and cars.

(<http://finance.mapsofworld.com/investments>)

Financial investments are when investing in stocks, bonds or any type of investment. Indirect investment is when investing with a third party such as the bank, pension funds which are available for old people and also there is a account which is made for students to invest in.

### **Factors to consider to when investing in a company**

The factors to consider when investing in a company is how the company is generating profit for the next five years

The next factor is that look at the company's share prices and how well the company is performing on the London stock exchange.

The main point of investing and putting money in a company is that how much returns on investment that they will get back.

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Investors should also look the newest addition of the annual report and analyse what so good in that company compared to others to invest in that company

There is also a 50/50 chance of losing money when investing in a company and there is also 50 % chance of getting more money than you have invested in. Investing also contain huge amount of risk.

## **Liquidity**

Liquidity in the finance terms refers which has the ability to change assets into cash quickly in order to repay the debts, which refers to a current liability. The main points of liquidity in a company is that to meet the needs for liquidity where as the company must have the needs for cash because this shows that the cash in hand is relevant to the company can earn more cash or borrow money by paying off the debtors. The liquidity of a company also depends on the short notice of cash, the cash in hand and also what the company reputation is in the financial market.

[Www. Riskglossary. com/liquidity](http://www.Riskglossary.com/liquidity)

## **Profitability**

Profitability is a word to describe how a company can generate or make earning form their products. The purpose of profitability is to help investors look at how the company has been performing over the two years and also they do this by using the profitability ratios and this is used to help the investors how the company has been performing over the two years and also the investor may choose one of the best companies to invest in. The

profitability ratio measures seven different ways of how a company is using and how are they making their profits. The main points of profitability ratios are the gross profit and operating profit margin.

<http://www.investopedia.com/terms/p/profitabilityratios>

Gross profit is where the costs of goods have been sold which shows a percentage of sales. The gross profit margin shows how good the company or business is performing and how are they controlling their costs and also the stock of their products where as it is being sold and given to the customers. The bigger the gross profit it is showing that the company will get a higher amount of profit.

Operating profit margin is where earning before interest and taxes which is included in the comprehensive statement which measures how well the company is performing overall efficiency and also showing all the expenses incurred for the period and also the business activity that the company is doing.

<http://tutor2u.net/business/presentations/accounts/profitabilityratios/default.html>

## **Capital structure**

Capital structure is how a company receives their money to help investors of how to finance or manage their money in an organisation. The purpose of capital structure in a business is that it shows where to allocate the shares in

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order to purchase new financial assets, which they must sell the shares in an organisation to buy the new assets.

<http://www.investopedia.com/terms/c/capitalstructure.asp>

## **Gearing**

Gearing is when a business or organisation manages or receives it money to the business activities that what exactly are they doing. Example of gearing includes bank loans, debentures, loans and shareholders. A company or business which can use gearing to analyse which tells the potential investors that a company with a high gearing ratio is going to be weak in investing because it probably will not have the money is financed by long term loans where is shows there is a low gearing ratio is for shareholders and for retained earnings.

<http://www.investopedia.com/terms/g/gearing.asp>

## **Investor relations**

Investor relation in business states that it how a company or organisation gives financial data about the company and also shows how well they are doing financially to the shareholders.

<http://www.investopedia.com/terms/i/investorrelations.asp>

## **Share price trends**

Share price trends is where it shown on the London stock exchange which looks at company's shares prices and looks at what has happened daily,

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weekly, yearly and monthly. All the UK based companies are FTSE 100, which are the best 100 companies in the UK

## **Corporate social reporting**

Corporate social reporting in business looks how well an organisation is how good a company stabilizes. For example how a company create products for the environment the product must be eco friendly and it also look at the social factors and environmental issues of when a company is creating a product.

<http://www.consultnet.ie/Corporate%20Social%20Reporting.htm>

Findings

## **Company background Marks and spencer**

Marks and spencer is one of the biggest leading retailers in the UK as they achieve very high profits such as net and gross. Marks and Spencers also consider how to attract their customers and also expand their marks and spencer branches locally and internationally. Marks and spencer also think about future plans of how to improve the profitability and also Marks and spencer's have recently have been making organic food to help customers to eat healthy and it was made to make the environment a better place to live.

Marks and spencer annual report pg 1

## **Easyjet**

Easyjet is one of the successful and leading airline companies in the UK and Europe. The purpose of Easyjet is to give customers the value for money and safe when travelling with Easyjet. Easyjet also offers a good product and

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airline fares which apply to leisure activities and business, which is in a range of UK and European routes.

Easyjet annual report pg1

## **Profitability for marks and spencer**

Marks and spencer is one of the biggest retailers in the UK because it shows they are able to generate high profits which are taken from the shareholders that they invest in and which also gets the results that shows the shareholders get paid dividends each year. Also marks and spencer has a very long-term strategy because this shows how they can generate their long-term profits for the future. Marks is spencer is also good for investing in the business which consider benefits for example is opening and creating more products and thinking about services is to get more money from the investors to improve the profitability of marks and spencer.

Marks and spencer annual report

Profitability for easy jet

Easyjet for the last couple of years are doing well in the business market and also overall easyjet financial highlights are that there is continued growth in the total revenue per seat, which is 5. 1%, but last figures show it was 8. 6% so the change in percentage was 3. 3 %. This shows that the shareholder has got a higher number of dividends in 2010 because it is a 3. 3 % increase, which shows that they have profitability. Looking at the airline industry it shows easy jet is a low cost airfare airline which shows Easyjet are very well

structured in the market. Easyjet are also in the airline industry shows that the fares are going to increase so the business and leisure activities might decline for easyjet causing them to lose profits.

Easy jet annual report

Analysis of both companies

Making the analysis of both companies and seeing both of the companies profitability it shows that marks and spencer is a business is making more cash which shows it is very good for the investors because marks and spencer have a better return on equity which shows marks and spencer have a better profitability than easyjet. Looking at easyjet as a business it is more profitable for the investors to invest in.

Look at appendix

Liquidity of easy jet and Marks and spencer

Marks and spencer are quite weak at their liquidity because they cannot convert their assets into cash because marks and spencer don't meet the need for the criteria because the company have invested in management systems which main aim is to reduce all the costs and make a high level of customer satisfaction which shows they are think about their long termgoalswhich is to maintain profitability.

Marks and spencer annual report



Looking at easyjet profitability it shows that in the annual report it is shown that they are able to use liquidise which shows that they convert their assets into cash. When current situation arises such as volcanic ash disruption, wintersnowdisruption and air traffic control and this is to show that how easy jet can use liquidity to pay for the current situation but a disadvantage is that they might not be able pay off the long term loans.

Easy jet annual report

Analysis of liquidity of easyjet and marks and spencer.

Looking at both of the companies liquidity it shows that easyjet has a higher liquidity factor which shows they have a higher current liability which tells you about how they can pay off the currents situations and also easyjet has more cash than marks and spencer as they can convert their assets into cash so easyjet can then make payments for dividends for marks and spencer. Look at appendix

Capital structure

Marks and spencer use capital structure and gearing by looking at all their finances which are the current liabilities such as bank loans, retained earnings finance rent lease is when you rent a shop branch. Marks and spencer borrow money from the bank and then marks and spencer will pay the bank later. Also if the interest rates are high for marks and spencer may not be able to pay of the long-term debts.

Marks and spencer annual report

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Easyjet uses capital structure and gearing by looking at the money available which are all the long-term loans and which are looked at by the finance lease payments. The capital structure reviewed is looked is having the financial resources in place to support the circumstances occur that arise to the company's which can withstand the company's stock. These risk show that easyjet take are safety and security and incidents that are having a effect on the reputation, operational and the financial performance of the company. The other risks that easyjet take is macroeconomic which is the effect of the residual value of the aircraft. The next that easyjet risk they take is whether competition in the airline that can also result to the losses of the market shares. The next risk that easy jet take is where the impact on easyjet is where in the business market is the cost base and the market share of easyjet. The last risk that easyjet take is environmental issues which there is lots of customer demand for easyjet.

Easy jet annual report

Analysis for both companies for capital structure and gearing.

Looking at both of the companies it is shown in the appendix that marks and spencer have a higher long term finance which equals the liabilities which shows how the ratio is and how the largest amount of interest charge but there is a bigger risk so in the last couple of years it is shown that marks and spencer are doing better than easyjet. The figures show that the long-term debts to equity show how safely they can borrow money after a long period of time. The figures show they are more than 50% so this states that marks

and spencer borrow more safely than easyjet. The figures show that gearing that easyjet has a higher gearing than marks and spencer so this shows easyjet knows how to finance its operations.

Look at appendix

Investor relations

Investors relations is when marks and spencer is that when the board members of marks and spencer is the main points of investor relations is that it has a good brand, clear plan and also marks and spencer has the people and employers which have very good leadership skills and also it is how the managers motivate the employees and gives the customers something to cheer about. The importance of investor relations is that marks and spencer thinks about the long-term strategy and plans of the business. The approach to governance report is how marks and Spencers is thinking about what correct steps and decisions to take which are the potential shareholders, managers, employees and suppliers and also the environment. Marks and spencer take the correct steps by doing the right thing by taking the right point across the business, which shows the correct balances, which is treating customers and supplier with kindness and respect.

Marks and spencer annual report

The investors in easyjet gives a chance to all it shareholder to have a say against the board of easyjet plc. The easyjet investor will talk about how the business issues effecting easyjet and also how the relation department which

talks about the easyjet which is about easyjet operations and presentations of the company.

Easy jet annual report

Analysis of investor relations

The analysis of both of the companies is that it shows both of the companies are mature which shows that both of the companies have perfect management programmes. The disadvantage between easyjet and marks and spencer is that easyjet and marks and spencer are that easy jet has better researching and development methods in their products better than marks and spencer. Easyjet also feels help out the investor when it involves the business activities Easyjet also offers and provides more information than marks and spencer such as monthly transactions going in and out which can show investors making the correct decisions in which company to invest is.

Look at appendix

Corporate social reporting in marks and spencer use in the products which are climate change, waste materials, natural resources and fair partner and health and well being of marks and spencer. Marks and spencer try to decrease the greenhouse gases that produce and also mark and spencers in the last couple of years have cut down the carbon emissions by eight percent. Marks and spencer's have also help customer and employees who has made them choose them for a healthy lifestyle and also their 81% salt

reduction on the food products. Marks and spencer also ensure that their raw materials come from sustainable sources.

Marks and spencers annual report and also look at appendix

Easyjet in the corporate social reporting is that easyjet use composite risk value, safety management programme and airborne volcanic object identifier.

Composite risk value looks at how safely the manager reports to the board, which is marked and looked at the members of the easyjet. The safety management looks at how to look and identify the potential hazards and looking at all the risks involved and looking at the different changes which effect and the chosen hazards, which they may find a solution. Airborne volcanic object idenfier look at how easyjet looks at the management systems with the infraredtechnologywhich is the aircraft, which is given help to the pilots to see volcanic ash, hundred kilo metre ahead in the attitude.

Easy jet annual report

Analysis of corporate social reporting of the both companies.

The analysis of both of the companies is that marks and spencer shows they have a better way of showing it better than easyjet and also marks and spencer think about how to make the product eco friendly for the environment. Easyjet has a major advantage compared to marks and spencer is that they main four points which are included which think about the safety of the customers and give the customers the value for money

when travelling with easyjet and also think about why to invest in a company for easyjet.

Easy jet annual report and marks and spencer and also annual report

Analysis of the share trend of marks and spencer and easy jet

The share prices trends compared to marks and spencer and easyjet throughout for the year is at the start of the year easyjet figures shows that there is 20, 000 pound difference and throughout is shown in the appendix it has been dropping and also been rising and then went to a constant price but marks and spencer company share prices have been constant but they have lower share prices than easyjet so it better to invest in easyjet because it shows to the investor to get a better return back for how much you will put in the business.

Look at appendix

## **Conclusion**

As you can see from the analysis above it shows that easy jet and mark and spencer are both stable companies, which are currently in profits. Marks and spencer is a better company compared to easyjet is that in the profitability figures is shows that marks and spencer has a better return on sales than easyjet as this shows is this ratio describes how well the performance of the company is doing and also and getting the maximum sales available.

Comparing both of the companies liquidity shows that marks and spencer has a better liquidity which shows that they have more cash in hand so it

better to pay of their current obligations. If you look at the retail industry and you look at the marks and spencer where the major competitors are and also looking how good are those companies are good to invest in. If you look at the retail industry it is current in huge profit so this shows the investors if they want to invest in marks and spencer they will get a higher dividend the following year.

When looking at the airline industry have to look at other airline companies how are their share prices compared their share prices and also how are doing are losing profit or they gaining profits. If looking at the share price trend is shown in the graph that easyjet has a higher share price so it better for the investors to invest in easyjet because it is shown that company has a got a high share price in the current market.

Easyjet compared to mark and spencer capital structure and gearing show that marks and spencer know how to finance it money properly and also think about how total debts which equals to total amount of the total amount of assets which basically is how it focuses on the financial structure and also it shows how well marks and spencer has a got very good financial structure and also shows how effective marks and spencer's use it finances which shows how well marks and spencer and easy jet are doing for the last couple of years.

## **Recommendations**

The recommendation is that the company that I would go for is that marks spencer's rather than easyjet because marks and spencer has a very good

liquidity, profitability capital structure and gearing ration but the major disadvantage is the share prices and trends is that easyjet has a higher share price than mark spencer that is the only factor that effect that gives a weakness on marks and spencer. Investors should invest marks and spencer because it a well know profitable company and is well known internationally and will get a better return on equity at this shows the investor will get a higher dividend per year which is a good company to invest in.

## References

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(<http://finance.mapsofworld.com/investments>)

Books references

Financial accounting and reporting (barry Elliot and Jamie Elliot

Company accounts fourth edition roger groves

Accounting international edition harrison

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