Corporate accounting, financial statement analysis of 3 publishers

Business, Marketing

Topic: Corporate Accounting, Financial ment Analysis of 3 Publishers There is need to measure performance of the company; performance appraisal is a concept that has recently gained popularity among many managers. There are many ways to measure performance of the company which include balance score card, bench marking, management by objectives and ratio analysis. In this paper we will use the ratio analyses in analyzing the financial statement of the three publishing company, and establishing the performance of the three companies. Ratio analysis helps the management in formulate financial plans and polices that the company should undertake in order improve its performance. In addition ratio analysis allow comparison of data from companies that are similar and also allow a firm to compare it financial performance with the industry, ratio analysis also allows the company data to be measured against companies that have sound financial condition (Wood & Sangster, 2005). A ratio analysis of the industry can be illustrated as below. Ratio Formula Random House Group LTD Hachete UK (holdings) Ltd Penguin Books Ltd 2008 2007 2006 2008 2007 2006 2008 2007 2006 EBIT Profit after tax add back tax and interest 34, 898, 431. 00 44113520 47013366 -5845157 -11791037 2584000 34698000 -14030000 3325000 Equity Ratio Total Owners Equity/ Total Assets 0. 61 0. 510043771 0. 44485707 0. 7289631 0. 69693196 0. 7958347 0. 45112018 0. 14722586 0. 177028 ROE EAT/Total owners equity funds 0. 13 0. 187083586 0. 24894299 -0. 0429812 -0. 06780599 -0. 002963 0. 29963005 -0. 243898 0. 106854 ROI EAT/Total Assets 0. 07 0. 095420818 0. 11074405 -0. 0313317 -0. 04725616 -0. 002358 0. 13516916 -0. 0359081 0. 018916 ROA profit before interest and tax/capital employed x 100 15. 67% 21. 91% 27. 33% -2.

34% -4. 13% 0. 87% 27. 91% -43. 02% 8. 30% Profit margin Profit before interest and tax/sales x 100 15. 28% 20. 62% 21. 52% -705. 94% -1477. 57% 337. 34% 25. 54% -10. 65% 2. 38% Asset Turnover Turnover/Total assets 0. 66 0. 640677629 0. 71757299 0. 0026315 0. 00232476 0. 0023864 0. 49293787 0. 59456007 0. 617211 In this case the publishing industry has been dominated by three companies which include random House group limited, Hachette UK holdings and penguin books Ltd, out the three companies, Random house group ltd has showcased overwhelming sales of the ; last three years. This made the earning of this company to be stable as compared to other firms in the industry. In this industry Random can be described as the market leader, this is based on the large market share that the firm controls the firm’s control. The firm has been able to maintain high level of sales due to the intensive marketing that the firm has undertaken on its products. The location of Random group ltd also foster it sales, the publishing company is located in a where there is high demand of the company’s product, thus this increase its sales significantly although sales increased significantly earning soured over the three year period due to increased cost of sales and expenses of the company. Although the sales of Hachete Company have increased significantly the company expenses have increased at higher rate than increase in sales this has made the company to make loses over time. This has made the company to reduce in profitability. Penguin ltd has experienced an increase in sales over the years these has made the company earnings before interest and tax to increase except in the years 2007 where the company had earnings before tax and interest decline to -14030000. This was due to constrains that the company was facing at the time. In this case random group has high ratio indicating that it has high profitability as compared to the other firms. Return on equity, is one of the key ratios that investors consider due to the signaling effects. In the case of Random house group and Hachette UK holdings this ratio has soured over the three year period this can be attributed decline earnings attributed to the shareholders. In addition for Hachette holdings have committed its earning to current obligation thus making the residual values to shareholder decline. Penguin's return to shareholder shows that the firm has been able to generate enough returns for the shareholders (Vance, 2009). Return on investment, shows the proprietors investment ability to generate profits. The profits available for distribution in this case have decline over the years for Random group and Hachete Holdings Ltd. For Penguins, this ratio cannot used to assess the performance of the company since the company has unstable earnings (Elliott & Elliott 2008). This ratio has the same implication with ROA. For asset turnover ratio, the companies have maintained stable ratio showcasing the companies have maintained good proportions in growth of sales and assets. The decline in this ratio for Random group and Penguin Ltd over three year period can be attributed to higher rate of growth in sales for the two companies. In conclusion ratio analysis has facilitated a comparative study of financial position and the performance of the company in the industry. From the above analysis random group has strategically managed its resources thus gaining financial soundness thus dominating the publishing industry. Work cited Eisen, P. J. (2000). Accounting (4th ed.). Hauppauge, N. Y.: Barron's Educational Series. Elliott, B., & Elliott, J. (2008). Financial accounting and reporting (12th ed.). Harlow: Financial Times

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