



Using Accounts

- Businesses produce accounts because they provide useful financial information for **stakeholders**
- Remember that stakeholders are:

People or groups who have an interest - or "stake" - in the activities of a business

- Stakeholders will be interested in both:
 - The Trading Profit & Loss Account
 - The Balance Sheet



Why Will Stakeholders Look At The Trading, Profit & Loss Account?



- Stakeholders will look at a range of figures from the Trading Profit and Loss Account:
 - **Sales Revenue**
 - Can be compared with previous years and with competitors
 - **Expenses**
 - Can be monitored to make sure there are no major changes from previous years
 - **Net profit**
 - Of particular interest to **INTERNAL STAKEHOLDERS** since it indicates the health of the business



Why Will Stakeholders Look At The Balance Sheet?



- Stakeholders will look at a range of figures from the Balance Sheet:

- **Assets**

- Will want to make sure the business does not have too much money tied up in assets such as stock

- **Debtors**

- Can monitor whether customers are paying quickly enough

- **Cash At Bank**

- Will want to make sure the business has enough cash

- **Creditors**

- Can monitor how quickly the business pays it's debts

- **Shareholders Funds**

- This is the money that belongs to the shareholders – so they in particular will monitor this to see if it is increasing





Individual Stakeholders Interests

Stakeholder	Profit and Loss Account	Balance Sheet
Shareholders	Will want to know whether sales and profit are increasing	Shareholders' funds' - This influences the share price. They will also be interested in the general health of the business
Managers	Same as shareholders since if the business is doing well managers are less likely to lose their job	Will be interested in all the major areas since it is their job to manage them!
Employees	Increases sales and profits will mean jobs are safer and they may get a better wage rise	
Banks	Good profits mean that loans are likely to be repaid	Will take a general overview of the "health" of the business – particularly if they are being asked to lend money
Customers	A business doing well is more likely to be around when support is needed by customers	
Suppliers	A profitable business with high sales is more likely to become a long-term customer	Will look at the creditors figure to see how quickly they are likely to be paid