

| | Investors | Lenders | Employees | Analysts | Auditors | Managers |
|-----------------------|-----------|---------|-----------|----------|----------|----------|
| Profitability | ✓ | ✓ | ✓ | ✓ | | ✓ |
| Growth Potential | ✓ | | | ✓ | | ✓ |
| Return on Investment | ✓ | | | ✓ | | |
| Risk | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Liquidity | ✓ | ✓ | ✓ | ✓ | | ✓ |
| Management Efficiency | ✓ | | ✓ | ✓ | ✓ | ✓ |

USER'S INFORMATION NEEDS

- Requirement of information from financial report vary from users
- General financial reports not always give specific information for certain users

| Users | Define Users | Information Needed |
|--------------------------------|--|---|
| Investors | Equity investors vary depending on whether it's a small or large businesses. However, in general they take on risks to do with ownerships and they are entitled to any rewards after other prior claims have been met. | <ul style="list-style-type: none"> • Profitability, especially futures ones • Management efficiency <i>Eg. Are the assets being utilised efficiently</i> • Return on their investment (within firm and compared with alternatives) • Risk being taken (financial and commercial risks) • Returns to owners (dividends, drawings, etc.) |
| Preference Shareholders | Preference shareholders differ from ordinary shareholders in such a way that they are entitled to fixed rate of dividend and to repayments before ordinary shares. Thus, influencing their need for certain information. | <ul style="list-style-type: none"> • Profitability, mainly future ones • Net realisable value of asset • Extent to which their dividend will be covered by profit |
| Lenders | There are three types of lenders: short term creditors, medium term lenders and long term lenders | Different lenders broadly have same need for information, but their emphasis on them change depending on whether the loan is long term or short term. |
| Short Term Creditors | They are normally trade creditors like those who supply businesses with goods on credit. | <ul style="list-style-type: none"> • Short term liquidity or solvency • Net realisable value of asset • Profitability and future growth • Risks (financial and commercial) |
| Medium Term Lenders | They are usually banks or other financial institute. | <ul style="list-style-type: none"> • Profitability (future cash for repayment of loan) • Security and nature of security • Financial stability |
| Long Term Lenders | They are much similar to medium term lenders unless they are secured lenders (who can legally claim assets of business according to circumstance). | <ul style="list-style-type: none"> • Risks, especially financial risks • Security (net realisable value of specific asset) • Interest cover (how well interest is covered by profit made) |
| Employees | They are interested in judging their job security and whether their wages are relatively fair. | <ul style="list-style-type: none"> • Profitability (average profits per employee for purposes of productivity bargaining) • Liquidity (future trends in profit) |
| Analysts | They provide advice to investors and they may be employed in a number of different types of organisations. Such organisation include superannuation funds, investment banks, stockbroking firm, etc. | They have wide ranging interest in all type of information about the entity (in a similar way to investor/ownership groups) |
| Auditors | They aren't normally known as users of accounting information, however, in order to carry out audits effectively, they will use this information to analyse accounts. | For the purpose of planning and carrying out their audit, they are interested in: <ul style="list-style-type: none"> • Trends in sales, profit, etc. • Variation from normal • Accounting policies |
| Managers | They require information in order to operate the business on a day to day basis. | The information they need vary according to the situation and they are most likely to require all of the above information. They also require detail information on the performance of business. |

INFORMATION AVAILABLE FOR FINANCIAL DECISION MAKING

Information for users to help them make financial decision can come from sources like:

- Company's website
- Financial advisors like brokers
- Finance magazines, and daily media coverage on TV, in newspaper and online
- Australian Securities Exchange (ASX) data
- A company's annual report (As required by Corporation Act 2001 and ASX Listing Rules if it's a public company)

Australian Securities Exchange (ASX) data

ASX provides:

- ➔ Company profile, like detail about the company, principal business activities, and dividends declared and paid, etc.
- ➔ Detail in indices
- ➔ Share price information
- ➔ Market statistic, including most traded shares, historical market statistic and initial and secondary capital raised
- ➔ Share appraisal forms, including investor's tool kit

Company Annual Report

Annual report contains:

- ➔ Financial statement for the year (statement of comprehensive income, statement of financial position, statement of cash flow, statement of change in equity, and consolidated financial statement)
- ➔ Director's declaration about financial statements and notes
- ➔ Notes to financial statements
- ➔ Director's report, which must contain detail regarding remuneration of directors' and senior executive and review of operation
- ➔ Corporate governance statement
- ➔ Audit report on financial statements