

### Option 3, Enquiry 3: Comparing performance

Learning outcomes	
1	Investigation of a range of company accounts.

Key skills	
IT3.3	Could contribute to a substantial investigation.

Resources	Student sheet, web sites.
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Time	Open-ended.
Running the activity	This is simply a list of sources to be used as a basis for investigation.

## Option 3, Enquiry 3: Comparing performance

This activity is about using annual reports and accounts to make comparisons between companies or within the same company over time.

### Getting the accounts

There are plenty of ways to do this. If you know which companies you want to study, you can:

- send for the annual report and accounts direct
- use the Financial Times Free Annual Reports Service at [www.ftannualreports.com](http://www.ftannualreports.com)
- look on the company website.

Don't be surprised if the layout of the accounts varies from one business to another. It often does.

### Alternatively you can use:

Bized – <http://www.bized.ac.uk/> Look for 'Company Info' and Financial Database. You will find accounting data for a number of different companies.

### Remember:

Businesses may be performing well yet have very different ratios because it is in the nature of the business. The simplest example involves comparing the profit margin of a supermarket with the profit margin of a pharmaceutical company. Supermarkets can perform well with low margins because they are making a small profit on every item sold and turnover is high. A pharmaceutical company expects its retained profits to finance research and development, so margins have to be much higher just to ensure survival. You can use ratios to compare the performance of similar companies, or to compare one company's performance with previous years.

US companies use somewhat different accounting procedures. However, by this time you should have had enough practice to cope with them. (You don't need to know US procedures for exams.)

