

A Level Accounting Summer Independent Learning Activity

3.17 Interpretation, analysis and communication of accounting information

Investor Ratios

The first part of this section of the specification explores how accounting techniques, measures and ratios are used to analyse and interpret accounting information (both financial and management) and the limitations of using financial statement and ratio analysis when assessing business performance.

You have already studied ratios in Year 12, in section 3.8. Revisit the accounting course page on Moodle, and find the Ratios Knowledge Mat in Section 3.8. Save this file as '3.17 Investors' Ratios' on your desktop, and then clear the file, change the heading to the one above, and delete all rows except five. **Please note Moodle will be unavailable between 20th – 30th July and access will be intermittent in the week following*

Now, using the links below as a start, and others from your research, complete the table for the following ratios. For each you should include the formula, a brief definition, and most important, what the ratio actually means:

- 1) Dividend yield
- 2) Earnings per share
- 3) Dividend cover
- 4) Price earnings
- 5) Interest cover

Save this file, and print it off and bring to your first lesson in September. Your initial assessment in September will be based on your knowledge of these ratios, but also the others you studied in Section 3.8

Start by learning the formulas' and use the following link to get the AQA specification. The formulas are in the appendices on page 33.

<http://filestore.aqa.org.uk/resources/accounting/specifications/AQA-7127-SP-2017.PDF>

For a general introduction use the link below on tutor2u

<https://www.tutor2u.net/business/reference/shareholder-returns>

Tutor2u also has a PowerPoint where dividend yield is explained on pages 5&6

<https://www.tutor2u.net/business/reference/shareholder-ratios-revision-presentation>

The following website uses dollars rather than pounds, but is still useful for the theory

<https://www.myaccountingcourse.com/financial-ratios/dividend-yield>

Dividend cover is explained on the following website

https://moneyterms.co.uk/dividend_cover/

and this story in the Financial Times, gives you some wider business information

<https://www.ft.com/content/873f5dc8-65ee-11e5-97d0-1456a776a4f5>

In the following link the formula for P/E is explained, and there is also a blog and analysis by other students to visit

<https://www.tutor2u.net/business/topics/price-earnings-pe-ratio>

<https://www.myaccountingcourse.com/financial-ratios/price-earnings-ratio>

Interest Cover is explained in the following links

https://moneyterms.co.uk/interest_cover/

<https://www.myaccountingcourse.com/financial-ratios/interest-coverage-ratio>

For Earnings per share, do your own research, perhaps using some of the websites from above.....