Learning Development | Student Services

Report writing

3. Writing accounting and finance reports

1. Overview

2. Writing laboratory reports

3. Writing accounting and finance reports

4. Writing technical reports

Learning objectives

This module will help you to:

- understand the generic function and structure of reports
- understand how different types of reports and their audiences influence the structure and style of the report
- set out the information in your report
- refer to any tables and graphs in your report in an effective way
- use appropriate grammatical structures

Introduction

"The basic routine for many accountants consists of collecting financial information, analysing it, and then reporting on it to others." (Fletcher & Gowing, 1979, p. 45). Learning *how* to report on financial information and issues to others is an important component of accounting and finance studies. For this reason you may be set an assignment requiring you to analyse a company's financial data and to write a report detailing your findings. This type of assignment is a practical learning task because it requires you to apply the theories you have been studying to real world (or realistic) situations. Your assignment question will most probably guide you as to the type of information that should be included and the steps you should follow. For example:

(a) carry out a thorough analysis of the company's earning power
(b) evaluate from your analysis the profitability of the company
(c) comment on what you believe to be the prospects of the company
(d) make recommendations to improve the company's performance
(e) identify two other resources which would enhance your analysis

In this example there are separate, yet related tasks, and this will be reflected in the structure of the report: information will be divided into sections with headings (for example *Recommendations*), and the sections will follow a logical progression.

Structure of the report

In business, the information provided in reports needs to be easy to find, and written in such a way that the client can understand it. This is one reason why reports are divided into sections clearly labelled with headings and sub-headings. Technical information which would clutter the body of the report is placed in the appendix. These considerations are important for accountants working in industry, so they are also significant for accounting and finance students writing a report for a fictional client.

The structure of a report and the purpose and contents of each section is shown below. The examples provided are from a first year Accounting and Finance case study report.

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TITLE PAGE	report title your name submission date
EXECUTIVE SUMMARY	overview of subject matter methods of analysis findings recommendations
TABLE OF CONTENTS	list of numbered sections in report
INTRODUCTION	terms of reference outline of report's structure
BODY	headings and sub-headings which reflect the contents of each section
CONCLUSION	findings of the report recommendations
BIBLIOGRAPHY	list of reference material consulted during research for report
APPENDIX	information that supports your analysis but is not essential to its explanation

Executive summary

The executive summary provides the reader with an overview of the report's essential information: the subject matter and the background problem, the method(s) of analysis, the important findings, the conclusion and recommendations. It is usually about two hundred to three hundred words long.

Executive summary	
This report provides an analysis and evaluation of the current and prospective profitability, liquidity and financial stability of Outdoor Equipment Ltd. Methods of analysis include trend horizontal and vertical analyses as well as ratios such as Debt, Current and Quick ratios. Other calculations include rates of return on Shareholders Equity and Total Assets and earnings per share to name a few. All calculations can be found in the appendices. Results of data analysed show that all ratios are below industry averages. In particular, comparative performance is poor in the areas of profit margins, liquidity, credit control, and inventory management.	*subject matter* *methods of analysis* *findings*
The report finds the prospects of the company in its current position are not positive. The major areas of weakness require further investigation and remedial action by management. Recommendations discussed include: • improving the average collection period for accounts receivable • improving/increasing inventory turnover • reducing prepayments and perhaps increasing inventory levels	*conclusions and recommendations (note that conclusions and recommendations can be bulleted)*

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The report also investigates the fact that the analysis conducted has limitations. Some of the limitations include: • forecasting figures are not provided • nature and type of company is not known nor the current economic conditions • data limitations as not enough information is provided or enough detail i.e. monthly details not known • results are based on past performances not present	

Table of contents

In a report longer than several pages a table of contents should be included as it assists the reader to locate information quickly. It also functions to give the reader a schematic overview of the structure and contents of the report. It includes all section headings and subheadings, numbered and worded as they appear in the report. It also includes page numbers, and a list of tables or figures in the report.

Table of contents (excerpt only)

1: Introduction 1
2: Analysis 2
2.1 Earning power.....3
2.2. Liquidity and credit management.....4
2.3 Inventory management.....5

Introduction

The introduction states the report's terms of reference and outlines the report's structure. 'Terms of reference' refers to the report's parameters (the what, where, and when), and the reports' objectives or purpose. While there will be some duplication in the contents of the executive summary and the introduction, the purpose of the executive summary is to provide a summary of the findings of each section of the report. The purpose of the introduction, however, is to outline what the report will cover. The introduction may also include some background information such as why the report was commissioned.

Introduction

This report provides information obtained through ratio analysis, regarding the profitability, liquidity and financial stability of Outdoor Equipment Ltd for the years 1993-1995.	*terms of reference*
This report will pay particular attention to the earning power, liquidity and credit management, inventory management and debt management, and will highlight major strengths and weaknesses while offering some explanation for observed changes.	*terms of reference and outline of report's structure*
The report will comment on the prospects of the company and make recommendations that would improve Outdoor Equipment's Ltd's current performance. These observations do have limitations which will be noted. This report will explain how a cash flow statement and a prospectus could enhance analysis.	*outline of report's structure*

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Body of the report

This section of the report has headings and subheadings which reflect the contents of each section. For example, the main heading for the body of one report was **Analysis**, while the subheadings were i) **earning power**, ii) **liquidity and credit management** iii) **inventory management** and iv) **debt management**

Conclusion

The conclusion of a report details the report's findings and it should also include recommendations. Recommendations can be written in prose, or can be presented as 'bulleted' information. In the first extract the recommendations are not highlighted whereas in the second extract the student has incorporated the recommendations under a separate heading. This reads as a list of things the client should do. This can be very useful for decision making.

Conclusion	
Outdoor Equipment Ltd is not in a very secure financial position. Improvements in every area of the company are needed if the company is, in the first instance, to survive and then grow.	*findings of the report*
The key areas of reform are the liquidity of the company and the quantity and quality of working capital, profitability, and financial stability. Management must address these areas simultaneously if the company is to overcome its present poor record.	*recommendations*
It must be remembered that this analysis is limited - a greater depth of understanding and evaluation can only occur with utilisation of other resources such as comparisons with budget forecasts and the statement of changes in financial position. Only after this process can a full appreciation of the company's current situation and possible future occur.	*(limitations of report)**

* The inclusion of limitations in the conclusion will depend on the report's terms of reference.

Prospects	
At this point the company does not have strong future prospects in the areas of profitability, liquidity or stability if it continues on its current path. Investors should be concerned with current rates of return and management and creditors should be concerned with the liquidity of the company as indicated in the ratio analysis.	*findings*
Recommendations	
• Improve the average collection period for accounts receivable • do not extend credit to slow payers • reduce credit terms • improve efforts to collect debts i.e. hire a debt collection agency • offer discounts to early payers (*excerpt only from recommendations*)	*recommendations (to do list)*

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Note the 'grammatical parallelism' of each bulleted item, that is, the grammatical structure of each recommendation is the same. Each recommendation begins with an imperative verb (instructional word): for example, *improve, do not, reduce.* The student could also have written *reducing, improving,* and *offering*.

Bibliography

As with essays, it is essential to include a bibliography of the reference material you consulted during your research for the report.

Appendix

Information that is not essential to explain your findings, but that supports your analysis should be placed in the appendix (plural *appendices*). These should be numbered separately and referred to by number in the body of the report, for example, "see Appendix 2".

Conclusion

While the report format outlined above is fairly standard, it is always best to check with you tutor as to his or her expectations. Also, you may find it beneficial to look at reports written by students in higher years, or from an accounting environment. Models of good writing can provide you with important information on layout, language and style. Check with your tutor on the availability of model reports from previous years. Finally, this unit has not focussed on the language of accounting and finance reports; however, it is similar to that of essay writing: that is, formal, objective and clearly written. For a detailed discussion of the important aspects of academic language, see the self access module *Academic Writing.*

Notes

This material is adapted from R. Woodward-Kron (1997). *Writing in Commerce: a guide to assist Commerce students with assignment writing,* (Revised edition), Centre for the Advancement of Teaching and Learning, The University of Newcastle, pp. 25-31.

Reference

Fletcher J. & Gowing, D. (1979). *Effective Writing for Accountants*, The Institute of Chartered Accountants in England and Wales: London.

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