

Adecco Case

**Submitted By:
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1. Overview of financial statements.

- a. According to what accounting norms are the financial statements of Adecco prepared?

US Generally Accepted Accounting Principles (US GAAP) - See page 109.

- b. What four financial statements do companies typically prepare for external reporting purposes? What name does Adecco use for each of these statements?

Balance sheet, Income statement, Statement of cash flow and Statements of shareholders' equity. Adecco uses: Consolidated balance sheets, Consolidated statements of operations Consolidated statements of cash flows and Consolidated statements of changes in shareholder's equity

- c. What does "consolidated" mean?

Consolidating financial statements means that we report the parent and its subsidiaries as if they were actually a single company.

2. Auditors.

- a. What accounting firm issued Adecco audit opinion (i.e., what accounting firm is Adecco' external auditor)?

Ernst & Young (see p. 150-153).

- b. Briefly state in your own words what Adecco' audit opinion means. That is, use everyday language to explain how a reader of Adecco' financial statements should interpret what the audit opinion says.

"We (E&Y) believe we have done reasonable examinations and testing on the reasonableness of the financial statements items. We believe that they are fairly stated and should provide the reasonable assurance for the investor to rely on."

3. Consolidated Statement of Operations (i.e., Income Statement).

- a. Consider the statement found page 104. Which of the following types of accounts would you expect to find on an income statement: assets, liabilities, shareholders' equity, revenues, expenses, gains, and losses?

Revenues, expenses, gains and losses

- b. Is there an unusual item on the statement in 2020?

"Impairment of goodwill" was present in 2020 but not in 2022 nor in 2021.

4. Consolidated Balance Sheet and Statement of Changes in Shareholders' equity.

- a. Consider the statement found on page 103. Which of the following types of accounts would you expect to find on a balance sheet: assets, liabilities, shareholders' equity, revenues, expenses, gains, and losses?

Assets, liabilities and shareholder's equity

- b. What was the total shareholders' equity at the end of 2022 and 2021? Can you find a reconciliation of the two numbers (i.e., can you find a place that explains how you went from one number to the other)?

3,800 and 3,893. We can reconcile the two numbers by looking at the "Statement of changes in shareholders' equity" (p.108).

- c. What were the retained earnings at the end of 2020 and 2021? Can you find a reconciliation of the two numbers (i.e., can you find a place that explains how you went from one number to the other)? Explain how the balance went from the beginning balance to ending balance.

$3,361 \text{ (beginning balance)} + 342 \text{ (net income)} - 204 \text{ (dividend)} - \text{share cancellation} - 87 = 3,412 \text{ (ending balance) (from page 108).}$

5. Consolidated Statement of Cash Flows. Consider the statement found on pages 106 and 107.

- a. What are the three major sections of Adecco cash flow statement?

Operating activities, investing activities and financing activities

- b. How much cash did Adecco generate from operating activities during fiscal year 2022? Was this amount more or less than the amount of operating income the company generated?

Operating cash-flows: 543. Operating income: 547 (see p. 104). Less.