**Information for financial decision making**

Information for users to make decisions (on investing and lending) comes from a number of sources such as:

* company websites
* financial media (TV, newspapers, online)
* financial advisors such as brokers
* ASX data
* company’s annual report

The latter 2 sources will be considered in greater detail.

**ASX data**

ASX provides a company’s stakeholders with a vast amount of information to make decisions as well as educational programs to assist users in using information.

ASX has created a series of audio visual presentations to help investors understand various share market topics.

<http://www.asx.com.au/programs/vignettes/lesson2part1.html>

<http://www.asx.com.au/programs/vignettes/lesson1part1.html>

Information provided by ASX includes:

* company profiles
* details on indices
* share price information e.g. most traded shares, historical market statistics

A ***company profile*** includes information like:

* closing share price
* details about the company e.g. its industry group or Global Industry Classification Standard- GICS, internet address, registered office
* names of directors, corporate secretary, senior executives
* principal activities
* announcements to the ASX
* share price history
* dividends declared and paid

<http://www.asx.com.au/asx/research/companyInfo.do?by=asxCode&asxCode=WES>

***Indices*** are measures of movements in the value of the market or various sectors of the markets. They give a broad overview of how the market or sectors of the market are performing.

*Examples of indices:*

* Indices of each GICS sector
* All Ordinaries Index - weighted index of performance of share prices of about 500 of the largest Australian companies.
* S&P/ASX 200 index - a stock market index by Standard and Poor of stocks listed on the ASX. It is widely considered Australia’s preeminent benchmark index of investable stocks.

Information on ***share prices*** is detailed, current and historical.

Below is an example of delayed share price information for Westfarmers Ltd on 30 April 2012 on the ASX website

**Delayed share price**

Prices are delayed by 20 minutes unless stated otherwise

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| [**Code**](javascript:ShowColumn('/clickable/code.htm',%20'ASXCode',%2080,%2080)) | [**Last**](javascript:ShowColumn('/clickable/last.htm',%20'ASXCode',%2080,%2080)) | [**% Chg**](javascript:ShowColumn('/clickable/change.htm',%20'ASXCode',%2080,%2080)) | [**Bid**](javascript:ShowColumn('/clickable/bid.htm',%20'ASXCode',%2080,%2080)) | [**Offer**](javascript:ShowColumn('/clickable/offer.htm',%20'ASXCode',%2080,%2080)) | [**Open**](javascript:ShowColumn('/clickable/open.htm',%20'ASXCode',%2080,%2080)) | [**High**](javascript:ShowColumn('/clickable/high.htm',%20'ASXCode',%2080,%2080)) | [**Low**](javascript:ShowColumn('/clickable/low.htm',%20'ASXCode',%2080,%2080)) | [**Vol**](javascript:ShowColumn('/clickable/vol.htm',%20'ASXCode',%2080,%2080)) |
| **WES** | **30.690** | **1.35%** | 30.510 | 30.710 | 30.440 | 30.790 | 30.400 | 3,159,566 |

|  |  |
| --- | --- |
| Code | A unique code for the company assigned by ASX for trading purposes |
| Last | Last sales price delayed by at least 20 minutes |
| %change | Change between previous day’s close and current value |
| Bid | Buying price delayed by at least 20 minutes |
| Offer | Selling price delayed by at least 20 minutes |
| Open | The price of the first trade of the day |
| High | The highest price traded for the day |
| Low | The lowest price traded for the day |
| Vol | The number of securities traded so far today |

**Company Annual Reports**

The Corporations Act 2001 and the ASX listing rules requires that all listed companies prepare annual reports. They require this annual report to contain

**(i) Directors report**, which must contain details of remuneration of directors and senior management and a review of operations. It includes:

* + a review of operation during the year end results
  + detail of significant changes to the company
  + the company’s principal activities and any significant changes in the nature of activities
  + any matter or circumstances that has risen that has significantly affected, or may significantly affect, operations, result or the state of affairs in the future.
  + Likely development in the future
  + Details of performance in relation to relevant environmental regulation

The report is also required to cover specific information as follows:

* + - Dividends and distributions to members, both paid and recommended
    - Names of directors, officers auditors and other relevant individuals
    - Option granted to directors
    - Any other option

Public companies are required to add further detail to their Directors Report. They must include the information that members of the company require to make an informed judgement about operations, financial position and business strategies for the future. The directors can omit information if they are concerned about disclosing it to the public and they must state they have done this.

A remuneration report must be included, containing detail about directors, their relationship with other companies and the remuneration they receive. The public company directors must include a discussion of the consequences of the company performance on shareholders wealth and on company earnings.

(ii) **Corporate governance statement** is a description of the governance structure in place for example members of important committees.

(iii) **Financial statements** to be included in the annual financial reports of a company are specified by the Corporations Act as:

* Statement of comprehensive income (Income statement)
* Statement of changes in equity
* Statement of cash flows
* Statement of financial position (Balance Sheet)
* Notes to the financial statements
* If required by accounting standards, a consolidated set of the above statements

(iv) D**irector declaration** that the financial statements and notes are a true and fair view of the company’s results prepared in accordance with standards and that the company is solvent.

* + Whether in the director’s opinion, the financial statements and notes are in accordance with the Corporations Act.
  + Whether in the director’s opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(v) **Audit report**

The annual report gives a description the business strategies, review of past performance and how it can improve its performance.

There will be a section on performance highlights which will give information on key performance indicators (KPIs).

There will also be statements from the chairman of the board and the chief executive officer regarding the company’s performance, details of senior executives, and other information that is of importance to shareholders.

It may contain a sustainability report which sums up its social and environmental performance.

**The purpose of an annual report**

* It is an accountability document, showing how the company has performed and its financial position. It is a means for directors to report on their stewardship responsibilities.
* It is a statement showing fulfillment of its legal, social and environmental obligations.
* It contains information shareholders need to make decisions about their investment - information about its past operations and future directions.

**Key Performance Indicators**

To measure performance, businesses may use key performance indicators (KPIs) or benchmarks.

**What are they?**

KPIs are financial or non-financial quantifiable measures.

They are used externally and internally. They are an easy way for internal and external users to compare a company’s performance and use of assets compared with previous years.

They help to measure how successful a business is in meeting long-term goals.

Some KPIs are required by law or Listing Rules. Not all are made public.

**Examples of KPIs**

*Financial KPIs*

Financial ratios, share prices, sales figures, sales growth, operating cash flow, remuneration paid to directors and senior executives

*Non-financial KPIs*

Market share, turnover of employees, sick days taken, green house gas emissions, customer satisfaction ratings, accidents at work, donations to disadvantaged groups.

**Where and how are KPIs reported?**

KPIs are usually included in annual reports, in the director’s report or in a section on performance highlights. KPIs are normally linked with company’s goals, strategies and objectives.

KPIs can be in the form of reports, diagrams, pictures tables and charts

**How valid and complete are KPIs?**

Accounting standards only apply to formal accounting reports. Additional information like KPIs can be shown in a variety of ways. This makes comparison with other companies difficult.

Since no standards exist businesses selectively disclose KPIs. If information is positive it is well publicized. Negative information is not readily released and investors may not receive it in time to be useful for decisions.

Until there are accounting or statutory standards for KPIs they should be evaluated carefully and checked against underlying data.