

interpret

assess

year-over-year growth rate

Get Ready!

- 1 Before you read the passage, talk about these questions.

- How do accountants use records to determine the health of companies?
- What are some of the ways they interpret financial records?

Reading

- 2 Read the email. Then, choose the correct answers.

- What is the passage mainly about?
 - opportunities for growth
 - ways to interpret financial records
 - methods for reducing return on sales
 - options for increasing return on equity
- Which equation is NOT presented in the email?
 - Return on Equity
 - Return on Sales
 - Return on receivables
 - Year-Over-Year Growth
- What can be inferred about the company's customers?
 - They keep detailed records.
 - Some expect a high return on sales.
 - They interpret financial information.
 - Some do not pay for their purchases.

From: John Simmons, Senior Accountant
 To: Becky Johnson, Human Resources; Charles Stanley, Sales; Nicolas Long, Marketing

Good morning! Many employees complain about keeping records. We do keep lots of records, but there's a good reason. We need them to **assess** the health of the company. Here are some ways we **interpret** your records.

Return on Sales

$$\text{Net Income} \div \text{Revenue} = \text{Return on Sales}$$

Return on Equity

$$\text{Net Income} \div \text{Equity} = \text{Return on Equity}$$

Year-Over-Year Growth Rate

$$\text{Profit 2011} \div \text{Profit 2010} = \text{Year-Over-Year Growth Rate}$$

These equations and others help us examine **factors** that **eat away at** our profits. Last year we had **thin** profits. Because we had accurate records, we found out that it was due to **uncollectible** receivables.

Vocabulary

- 3 Match the words (1-5) with the definitions (A-E).

- | | |
|-------------|-----------------------|
| 1 __ assess | 4 __ return on sales |
| 2 __ factor | 5 __ return on equity |
| 3 __ thin | |

- not having much substance; small in quantity
- net income in comparison to total revenue
- something that has an influence on something else
- net income in comparison to the value of the company
- to test something

- 4 Fill in the blanks with the correct words and phrases from the word bank.

Word BANK

interpret year-over-year growth rate
uncollectible eat away at

- The _____ shows that the company is expanding.
- The company went out of business. Its debts are _____.
- It's the accountant's job to _____ the financial records.
- Declining sales will definitely _____ profits.

- 5 Listen and read the email again. How is year-over-year growth rate calculated?

Listening

- 6 Listen to a conversation between a salesperson and an accountant. Mark the following statements as true (T) or false (F).

- ___ The woman fills out a sales report monthly.
- ___ The man thinks paperwork is a waste of time.
- ___ The woman prefers paperwork over selling.

- 7 Listen again and complete the conversation.

Salesperson: Here's my weekly sales report.
Accountant: Wonderful. Thank you.
Salesperson: I'm 1 _____. Why do we have to keep such 2 _____ records?
Accountant: Because they help us 3 _____ the company's health. Why do you ask?
Salesperson: Well, it 4 _____ me down. I'd rather 5 _____ selling than doing paperwork.
Accountant: I know what you mean. It takes time to 6 _____. But it's worth it.
Salesperson: How so?
Accountant: Accurate records help us see if anything is eating away at our profits.

Speaking

- 8 With a partner, act out the roles below based on Task 7. Then switch roles.

USE LANGUAGE SUCH AS:

*I'm curious. Why do we ...
 Because ... Why do you ask?
 I'd rather ... than ...*

Student A: You are a salesperson. Talk to Student B about:

- sales reports
- their purpose
- their uses

Student B: You are an accountant. Answer Student A's questions.

Writing

- 9 Use the email and the conversation from Task 8 to fill out the financial statement.

2011 FINANCIAL STATEMENT

Profit 2010	11,750
Profit 2011	13,500
Sales revenue	56,500
Net income (profit)	13,500
Owner's equity	41,000

Return on Sales

_____ ÷ _____ = _____

Return on Equity

_____ ÷ _____ = _____

Year-Over-Year Growth Rate

_____ ÷ _____ = _____