11 Gleaning information from financial statements

Get Ready!

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

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

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

Net Income ÷ Revenue = Return on Sales

Return on Equity

Net Income ÷ Equity = Return on Equity

Year-Over-Year Growth Rate

Profit 2011 ÷ Profit 2010 = 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.

Reading

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

1 What is the passage mainly about?
- **A** opportunities for growth
- **B** ways to interpret financial records
- **C** methods for reducing return on sales
- **D** options for increasing return on equity

2 Which equation is NOT presented in the email?
- **A** Return on Equity
- **B** Return on Sales
- **C** Return on receivables
- **D** Year-Over-Year Growth

3 What can be inferred about the company's customers?
- **A** They keep detailed records.
- **B** Some expect a high return on sales.
- **C** They interpret financial information.
- **D** Some do not pay for their purchases.

Vocabulary

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

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

- **A** not having much substance; small in quantity
- **B** net income in comparison to total revenue
- **C** something that has an influence on something else
- **D** net income in comparison to the value of the company
- **E** 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

1 The ___________ shows that the company is expanding.
2 The company went out of business. Its debts are ___________.
3 It's the accountant's job to ___________ the financial records.
4 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).**

1 __ The woman fills out a sales report monthly.
2 __ The man thinks paperwork is a waste of time.
3 __ 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

_______ ÷ _______ = _______

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ACTIVITVY 6 Y 7

Unit 11

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

ACTIVITY 8

A: Here's my weekly sales report.
B: Wonderful. Thank you.
A: I'm curious. Why do we have to keep such detailed records?
B: Because they help us assess the company's health. Why do you ask?
A: Well, it slows me down. I'd rather spend time selling than doing paperwork.
B: I know what you mean. It takes time to do paperwork. But it's worth it.
A: How so?
B: Accurate records help us see if anything is eating away at our profits

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