



"Pisco"

Institute of Higher Technological Public Education

11

Gleaning information from financial statements



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.



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

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- 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

_____ ÷ _____ = _____

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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