

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

\_\_\_\_\_ ÷ \_\_\_\_\_ = \_\_\_\_\_