

Preview The Profit and Loss Account (P&L)

Study the incomplete P&L below. Complete the document with the following headings. Use a dictionary to help you.

Research and development costs Cost of materials Gross profit
Interest receivable Turnover Dividend

Consolidated Profit and Loss

for the year ended Dec 31 in \$m

	Forecast	Actual
Money in _____	700	704
1 _____ (sales revenue)		
Other earnings		
Gains on fixed assets and operations	250	244
2 _____ on investments	175	162
Money out _____		
Costs of making goods		
3 _____ and all manufacturing expenses	(100)	a _____
Salaries and personnel costs	(200)	b _____
4 _____	825	c _____
Money in minus cost of making goods _____		
Other costs and expenses		
Indirect costs or overheads	(25)	(22)
5 _____	(50)	d _____
Loss on fixed assets	(25)	(25)
Loss on foreign operations	(100)	(88)
Marketing and distribution costs	(100)	e _____
Other money out _____		
Trading/Operating Profit		525
Profit for shareholders (6 _____)		95
Retained profit		430
Gross profit minus other money out _____		
Money left when shareholders have been paid _____		

Listening

1 Now listen to a presentation of the actual results and complete the missing figures for gaps a-h.

2 Listen again and answer the following questions.

- 1 Why was gross profit higher than expected?
- 2 Where did the company decide to have parts made?
- 3 Which budgets went over the forecast limits?
- 4 What is expected to happen to the marketing budget in future?
- 5 How much will shareholders receive per share?
- 6 What prediction does the speaker make about retained profit?

Speaking If you were a potential shareholder would you feel confident in investing in this company? Why? / Why not?

Listening 2

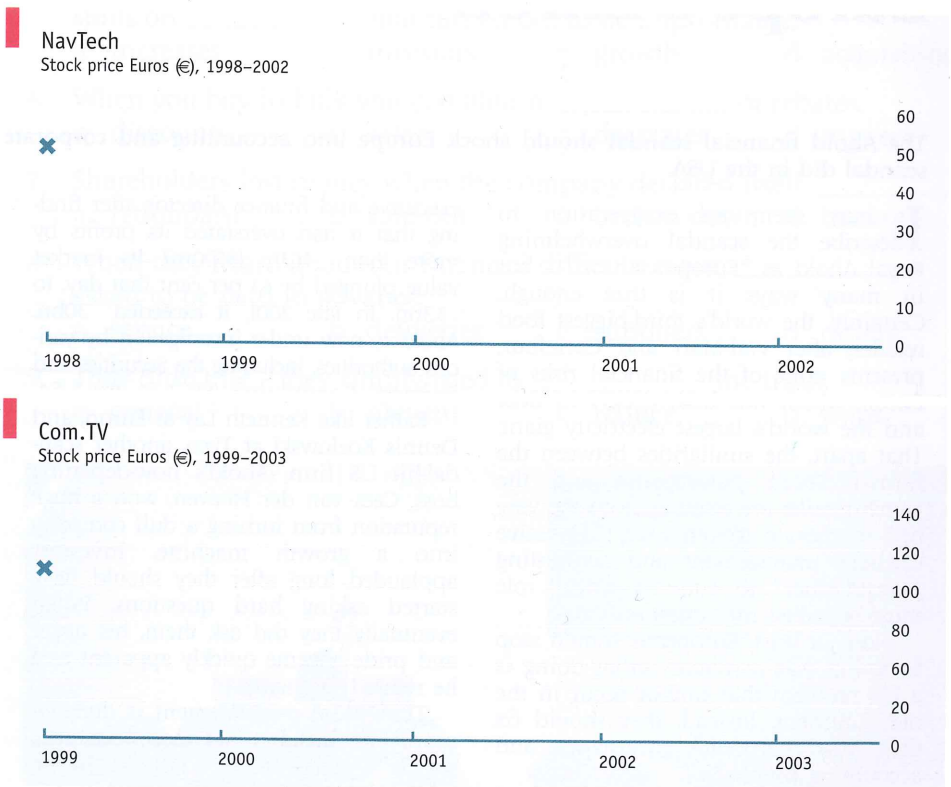
Creative accounting

1 Companies sometimes make the figures in financial documents more attractive than they really are. They can do this by:

- a inventing revenues from companies that don't exist
- b not including debts of subsidiaries and acquisitions
- c hiding debts on the books of subsidiaries
- d overstating current profits by including possible future earnings

Listen to two investors talk about what happened to them when they invested in two media companies. Which of the above methods were used to drive up share prices in each case?

2 Listen again and complete the graphs.



Speaking Can you think of any other famous financial scandals?