

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 _____	1 _____ (sales revenue)	700	704
	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 _____
Money in minus cost of making goods _____	Salaries and personnel costs	(200)	b _____
	4 _____	825	c _____
Other money out _____	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 _____
Gross profit minus other money out _____	Trading/Operating Profit	525	f _____
Money left when shareholders have been paid _____	Profit for shareholders (6 _____)	95	g _____
	Retained profit	430	h _____

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

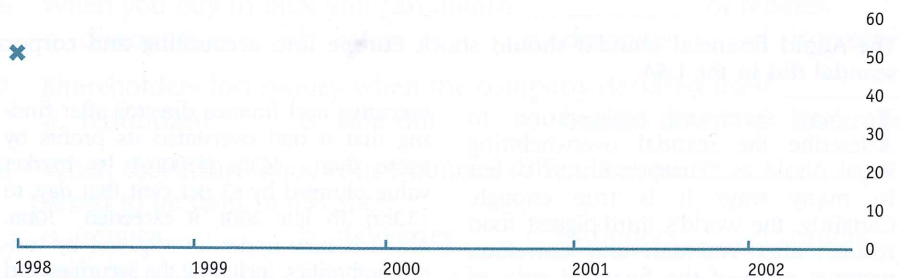
1 Companies sometimes make the figures in financial documents more attractive than they really are. They can do this by:

- 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

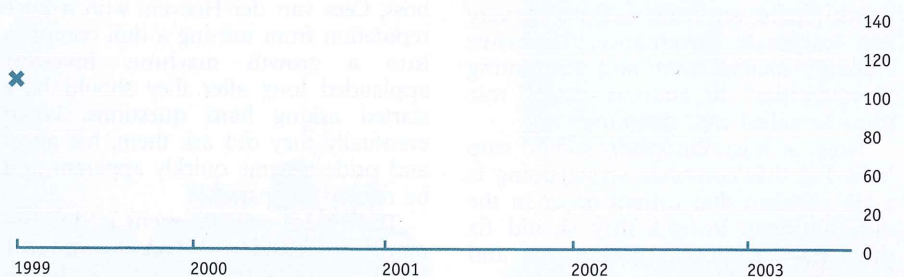
2 Listen to two investors talk about what happened to them when they invested in two media companies. Which of the above methods were used to drive up share prices in each case?

2 Listen again and complete the graphs.

NavTech
Stock price Euros (€), 1998–2002



Com.TV
Stock price Euros (€), 1999–2003



Speaking

Can you think of any other famous financial scandals?