**Unit 14 : The Financial statements**

***The profit and loss account*** is a financial statement that shows the difference between the revenues and the expenses of a period. Non-profit organizations like charities, public universities or museums generally produce an ***income and expenditures account,*** if they have more income; this is surplus rather than profit.

At the top of this statement, we find:

* The sales revenues or turnover: the total amount of money received during a specific period.
* Next is ***the cost of goods sold*** (COGS): the costs associated with the products sold such as raw materials, labor and factory expenses.
* The difference between the sales revenue and the cost of sales is the gross profit.
* Many other costs have to be deducted from the gross profit such as rent, electricity and office salaries. These expenses are often grouped together as ***selling, general and administration expenses (SG&A***)
* The statement also shows ***EBITDA : earnings before interest, taxes, depreciation and amortization.*** And ***EBIT : earnings before interest and taxes.***
* After all these deductions, we find the ***net profit***, often called the ***bottom line***. This profit can be distributed as dividends (unless the company has to cover past losses), or transferred to reserves.

***The cash flow statement*** gives details of cash flow, which is money coming into and leaving the business concerning:

* Operating, day-to-day activities.
* Investing, buying or selling property, plant and equipment.
* Financing, issuing, repaying debts or issuing shares.

This document shows how much cash a company generate effectively. It is also ***The*** ***Funds flow statement***. British companies also have to produce a ***statement of total recognized gains and losses (STRGL)***, showing any gain or losses not included in the financial statements below such as the revaluation of fixed assets.

**Question:** here are some financial ratios, which ones should be higher than 1:

* Costs of sales/sales revenue
* Grosse profit/net profit
* EBIT/EBITDA

**Vocabulary :**

Exercise:Complete the text with words below. You will need to use each word more than once.

Financing – operations – investing

………………… means making money by selling goods and services.

....... …………… is spending cash for the future business’ growth, including cash acquired from selling assets.

…………………. involves raising money by issuing stocks and bonds.

A healthy cash flow means that the amount of cash provided by………………………. is greater than the cash used for ……………………..

**Grammar:** *The future verbs forms*

Obviously, any future tense refers to a time later than now, but it may also express our attitude to the future events. All the following ideas can be expressed using the future tense.

|  |  |
| --- | --- |
| Ideas | Examples |
| 1. Simple prediction. | There will be snow in many places tomorrow. |
| 2. Arrangements.  (Both the speaker and the listener are aware of this arrangement). | We are having meeting next Wednesday. |
| 3. Plans and intentions. | We are going to spend the summer abroad. |
| 4. Time-tabled events.  (The statement is based on present and fixed facts like a timetable, schedule and a calendar). | The plane takes off at 3 am. |
| 5. Prediction based on present evidence. | I think it is going to rain. |
| 6. Willingness. | We will help you in doing this work. |
| 7. An action in progress. | Next time, I will be more punctual. |
| 8. An action that is a matter of routine. | I'll see John in the office tomorrow. |
| 9. An action that will take place immediately or very soon. | The train is about to leave. |
| 10. Projecting something in the future and looking back at a completed action. | A month from now, he will have finished all his work. |