

Corporate Watch

MODULE 4:

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# READING COMPANY ACCOUNTS

## AIMS OF THIS SECTION

- ▶ Learn how to find out how profitable a company is.
- ▶ Learn how to find out much shareholders and directors are making.

## ACCOUNTS

- ▶ Legal requirement to publish accounts every year under the Companies Act - at most nine months after year end.
- ▶ Smaller companies don't have same disclosure requirements (turnover <£10m, assets <£5m, staff <50). They should at least give a balance sheet.

## INCOME STATEMENT

- ▶ How much did the company sell?
- ▶ How much did it spend to do that?
- ▶ What's left over is the profit (or loss).



# BALANCE SHEET

## Assets

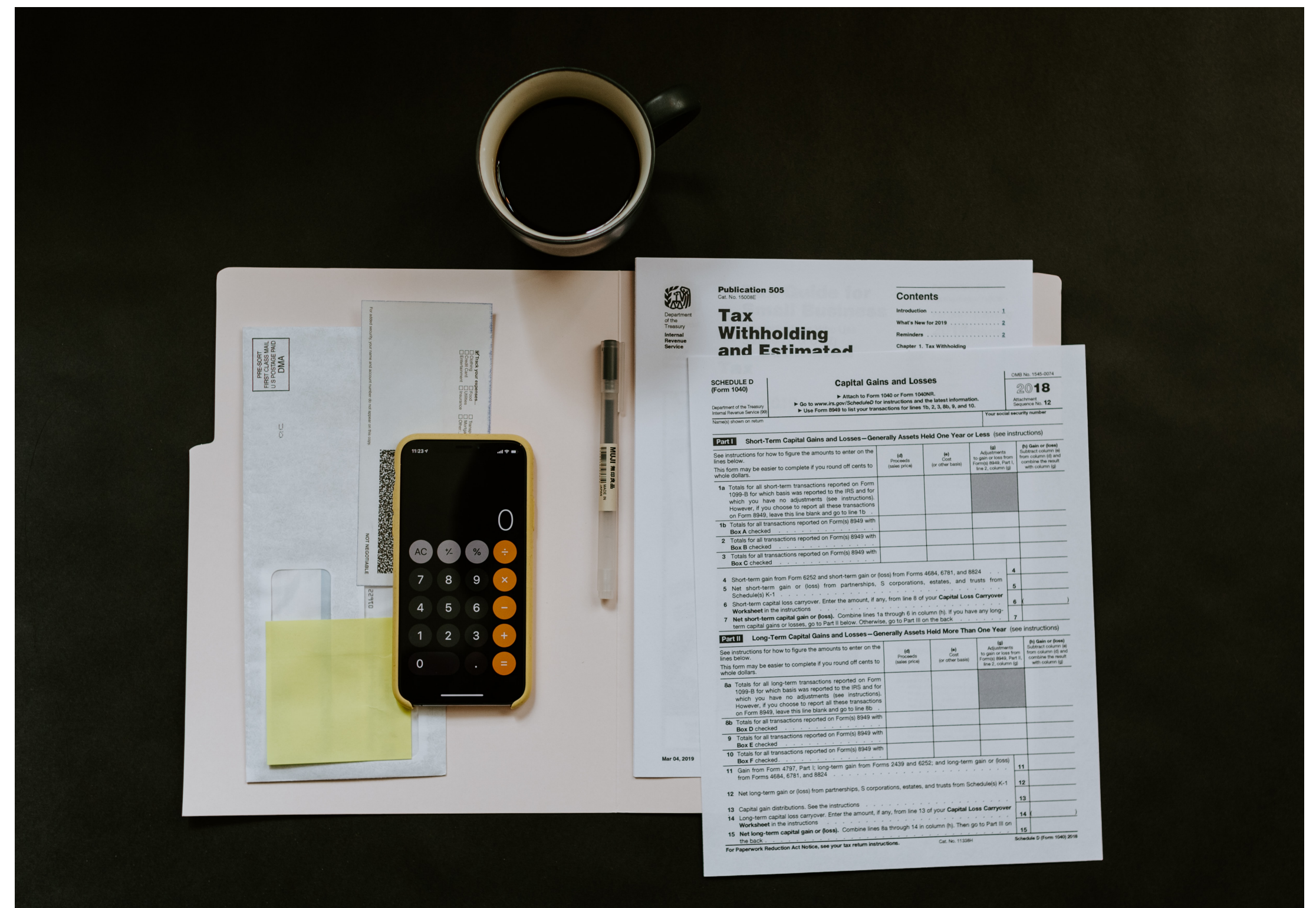
- ▶ Anything the company owns
- ▶ Anything it is owed

## Liabilities

- ▶ Anything the company owes

## Equity

- ▶ What the company is worth



## READING ACCOUNTS

Always check:

- ▶ Currency
- ▶ Multiplier
- ▶ Brackets
- ▶ Notes
- ▶ Previous years
- ▶ Compare with competitors



## HOW DO THEY MAKE MONEY AS A COMPANY?

- ▶ Shareholders are paid **dividends**
- ▶ Directors are paid salaries, pensions and bonuses: called **'remuneration'** or **'emoluments'**.

