Check Out Your Company Like an Investor

By Genevia Gee Fulbright, CPA

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The other day on the way to drop off an express mail package, I saw the craziest thing. As I turned the corner, I saw a cute little squirrel in the middle of the street. I thought to myself, "I should slow down so the squirrel can navigate his way across the road in front of me." As I approached, he stood his ground, and, when I was almost even with him, he started chasing my car.

YES! The squirrel started running alongside my car like you see dogs do from time to time.

Laughing hysterically, I swerved and almost ran my car off the road.

When I gained my composure, I looked in my rear-view mirror. In the middle of the road again was that cute little squirrel, preparing himself for the next potential victim.

Thank goodness I did not have an accident to explain to my insurance agent.

You're thinking, "Squirrel?"

Well, obviously this animal thought I was invading his space.

Where are you on the food chain?

Do you understand where you stand at your company, how the budget affects your division or even how to read your company's financial statements?

If you work for a U.S. company that is publicly traded, much of its financial data is readily available at the U.S. Securities & Exchange Commission's Web site. Also, public companies have an "investor section" on their Web sites which includes required public filings as well.

Where to start?

If you are not part of the team responsible for reviewing financial information, including companywide budgets, acquisition strategies, new-business lines or products, you might want to first start by perusing 8-K filings, which note significant events affecting your company. Events warranting an 8-K filing would include changes in the executive suite such as CEO or CFO, regulatory matters, division spin-offs, merger and consolidation announcements, etc.

I suggest starting with 8-K filings because they tend to give you a big-picture perspective of what's going on with your employer. You might know part of the puzzle relevant to your department or small division, but these reports provide more insight to what information is being shared with the public.

Next, read the 10-K reports for the past couple of years. These provide your company's annual consolidated financial information along with footnote explanations, your external CPA firm's report and again a big picture of what your company is doing.

The best place to start is the segment at the beginning that discusses the business. See if the description is consistent with your understanding of who and what you do as a company.

The key reports are the consolidated balance sheet, consolidated income statement and consolidated statement of cash flow, which would have comparable figures from the prior year.

Starting here will provide an overall idea of the company's financial position, what was generated in revenues, net profits, earnings per share and other relevant business ratios and what was done with the cash.

If company data is shared internally, you also can check some calculations yourself, such as gross revenues, as well as net profits per employee. Check to see if the numbers have improved and if there have been significant downsizing.

There are a number of other reports that might be helpful, including the 10-QSB (the quarterly report filings with SEC) as well as Form 4 (a statement of changes in beneficial ownership of securities).

The take-away

After these exercises, you should be more familiar with major events affecting your company, current and historical profits, department consolidations and acquisitions.

Going forward, pay close attention when the "numbers" people make presentations. If you have a better understanding of how the company's activities will affect your department and eventually your personal bottom line, you might feel more engaged or inclined to help come up with improvements.

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