



Essential Selling Strategies: Demonstrate Business Acumen

ESSENTIAL SELLING STRATEGIES

Welcome to the Essential Selling Strategies: Demonstrate Business Acumen course.

To be consultative, you must understand your customer's business. While each business is unique, there are fundamental concepts for how a business operates. Your ability to be successful as a seller requires a solid understanding of these business and financial fundamentals so that you can provide the best possible guidance and support to your customer's business.

This 20-minute course provides you with an overview of how a business operates and the financial acumen basics that you need to adequately evaluate a business as you are working with new or existing customers.

Please click the "Start Course" button above when you are ready to begin.

-  **Course Introduction**
-  **Business Model**
-  **Business Strategy**
-  **Organizational Structure**
-  **Organizational Measurements**
-  **Key Financial Documents**
-  **Challenges and Best Practices**
-  **Wrap-Up**
-  **Survey**

Course Introduction



What is Business Acumen?

The term "business acumen" has many meanings, largely depending on your role within an organization and whether you are applying business acumen internally to your organization or with your customer's organization.

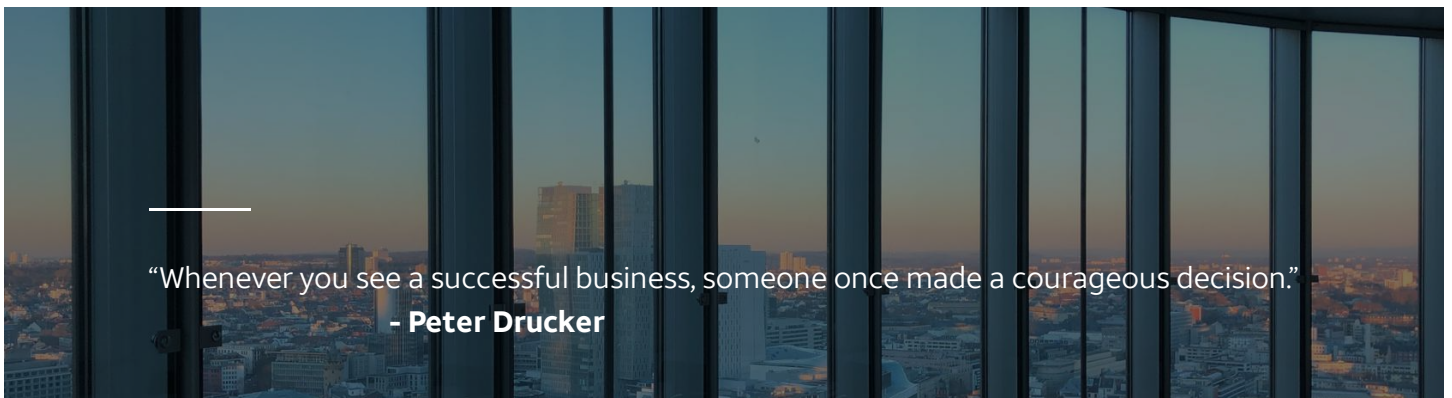
Business acumen is defined as:

...an astuteness and quickness when dealing with a business situation that leads to a good outcome. It is a keenness or depth of perception in matters related to business; business discernment, or intuitive and applicable understanding of how a company makes money. Overall, business acumen is the ability to use this understanding to make decisions that result in the success and profitability of the company.

To help you in your role as a seller, this training focuses on two areas of business acumen, as follows:

- An understanding of **the fundamentals of how a business operates**, including:
 - The business model,
 - The business strategy,
 - Organizational structure, and
 - Key organizational metrics for measuring the success of a business.
- The ability to read and interpret **key financial statements** within the Annual Report, including:
 - The Balance Sheet,
 - The Statement of Income, and
 - The Statement of Cash Flow.

Building your business acumen is critical to establishing your credibility with customers. Without a fundamental knowledge of how a business works, you will be challenged to understand the specifics of your customer's unique business structure and needs.




“Whenever you see a successful business, someone once made a courageous decision.”
- Peter Drucker



Learning Objectives

By the end of this course, you will be able to:

- ☐ Describe the five core elements of a business model.
- ☐ Explain how a business strategy supports the strategic and operational business initiatives.
- ☐ Recognize the functional areas of an organizational structure.
- ☐ Identify the key metrics that businesses use to measure success.
- ☐ Review key financial documentation for critical customer information.

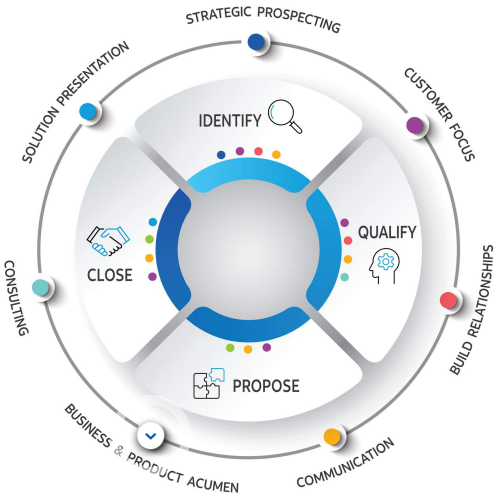
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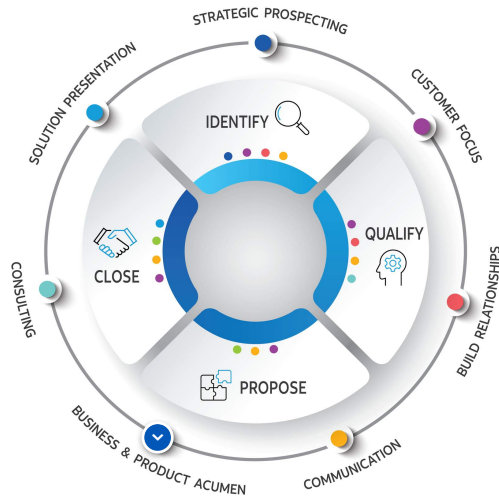


How Does the Demonstrate Business Acumen Skill Fit Into the Essential Selling Strategies (ESS) Model?

Before we get started on the course, let's briefly review how the business acumen skill fits into the Essential Selling Strategies Model.

Click on the check marks below to learn more about how business acumen plays a role in the overall ESS model.





Demonstrate Business Acumen

Business and financial acumen are critical to every aspect of the selling process. In order to work effectively with customers, you need to possess a baseline understanding of how businesses work so that you can provide specific direction and support to your customer. Business acumen is a capability you should be continually developing so that you demonstrate credibility with your customers.

ESS Model Summary

Your ability to effectively demonstrate business acumen at different stages of your sales interactions is important to your success. Building this skill takes practice and experience.



Complete the content above before moving on.



Target Behaviors

When you are applying your business acumen skills effectively, you should be able to demonstrate specific **target behaviors**. Target behaviors are observable and measurable ways that demonstrate your ability to apply a skill.

Please review the target behaviors for the business acumen skills below by clicking on each block.

Identify aspects of the financial statements that are relevant to formulating customer insights.



Communicate with confidence a solid understanding of the customer's business model, strategy, organizational structure, and important business metrics.



Adopt a continuous learning approach to business and financial acumen.

These target behaviors will be important when you are back on the job. To help you develop in this skill, your manager will observe and coach you to develop these specific target behaviors.

Let's get started by looking at the business model.



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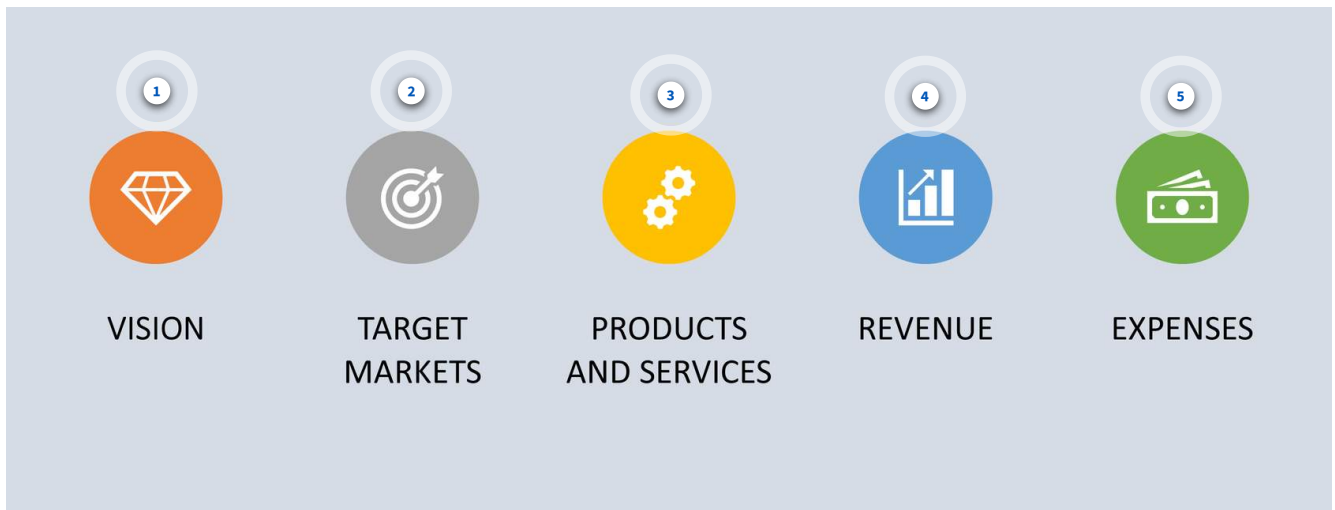
Business Model



What is a Business Model?

The business model is a plan for how an organization will generate money with the end goal of making a profit. There are five core elements to a business model.

Click on each of the boxes in order below to learn more about the basic components of a business model.





Vision

At the center of a business model is the vision of a business.

A vision represents:

- how the business defines its identity through the **mission, vision,** and **values,**
- how the business **differentiates** itself from other businesses, and,
- what makes the business unique through its **value proposition.**



VISION



TARGET
MARKETS



PRODUCTS
AND SERVICES



REVENUE



EXPENSES

Expenses

Expenses are the costs associated with doing business, and include:

- Operating expenses like salaries, rent, equipment, etc.
- Losses
- Debt



Revenue

Revenue represents how a business makes money, and includes:

- Revenue streams
- Pricing
- Gross profits
- Net Income
- Investments



Target Markets

The target markets represent the customer(s) who the business provides products and/or services to in the marketplace.

Customers may be other businesses (B2B), consumers (B2C), or both.



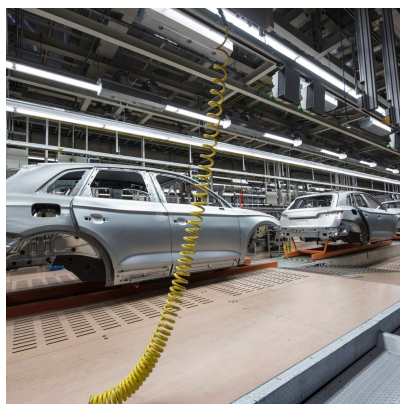
Products or Services

Products or services are what the business provides to its target markets. These may include tangible or intangible products or services.

Let's look at examples of the three common business models in today's marketplace.



Examples of the Three Common Business Models



MANUFACTURER BUSINESS MODEL



RETAILER BUSINESS MODEL



**FEE-FOR-SERVICE AND/OR
PRODUCT BUSINESS MODEL**

How businesses identify themselves determines the type of business model that they follow. There are many differences in how businesses make money but the three most common business models represent the majority of businesses that you may work with in your sales role fall under one of the five verticals of manufacturing, retail, healthcare, professional services, or technology and media.



Manufacturer Business Model: A manufacturer converts raw materials into products. Then, they sell those products to distributors, retailers or directly to businesses or consumers. **Examples of Manufacturer Businesses:** consumer packaged goods, aviation manufacturing, transportation, and logistics.



Retailer Business Model: A retailer is the last link in the supply chain. These businesses purchase goods from manufacturers or distributors and then sell them to customers for a price that will both cover expenses and turn a profit. Retailers may specialize in a particular niche or carry a range of products. **Examples of Retailer Businesses:** Car dealerships, restaurants, groceries, hospitality, and consumer goods (clothing, electronics, housewares).



Fee-For-Service and/or Product Business Model: A fee-for-service and/or product business charges a set fee for a specific service or product. A business set up on this model can increase its earnings by adding customers or increasing what it charges to customers. Depending on what type of work the business does, it might charge an hourly rate, monthly retainer or commission. It may also create a fee schedule with a set rate for different types of services. **Examples of Fee-For-Service and/or Product Businesses:** Hospitals, educational services, financial and legal services, advertising, computer system design, General IT, and media production.

It is important for you as a seller to know how your customers define their business model. There are many other variations of business models such as franchise models, leasing models, subscription models, bundling models, product-as-a-service models, freemium models, distribution models, and affiliate marketing models.

While the business model illustrates how a business makes money, the **business strategy** is how the business model is implemented. Next, let's cover the business strategy and what is important as a seller to know about your customer's business strategy.



Complete the content above before moving on.



Business Strategy



Business Strategy Model



Every Business originates with a Vision. The purpose for its being. Whether it is AT&T or the local bike shop, they have a Vision.

The Four P's

To achieve this vision, every business focuses on the Four P's: Profitability, Productivity, Perception and Peace of Mind.

- **Profitability** is how they make and spend money, their revenue and expenses.
- **Productivity** is about how effectively they operate.
- **Perception** is how their customers, their employees, their vendors, and the public at large views them.
- **Peace of Mind** are the factors they must consider to ensure the security of the business.

Businesses accomplish these 4 Ps by ensuring they meet their goals and objectives (strategic or operational

their work flows and processes.

Strategic leaders in the business are constantly evaluating where they have strengths, so they can maximize them, where they have limitations, so they can mitigate them, where they have opportunities, so they can further develop them, and where they have threats, so they can overcome them.

By understanding these elements of the Business Strategy, you can better identify your areas of opportunities to positions solutions with your customers that provide a meaningful business impact.

Let's look deeper into the strategic and operational priorities, and the focus for each of them in the achievement of the vision.

priorities), have the right people and organization in place and are optimizing



A good strategic plan acts as a compass. It helps an organization focus on its goals for the future and how to achieve them.

Strategic and Operational Priorities

A business strategy represents the strategic priorities that a business establishes to accomplish its purpose. Strategic Priorities represent the **strategic plans** for your customer's organization. They are focused on the **long-term strategy** of where the organization is targeting its growth in the future. Many organizations establish a **3-5 year plan** in order to adapt as market conditions and priorities change.

Strategic Focus Areas:

Most organizations set their strategy on one or more of the strategic focus areas, including:

- Financial Growth.
- Customer Excellence.
- Innovation.
- Employee Satisfaction.
- Scientific Achievement.
- Community Impact.

Factored into the Strategic Priorities of an organization are the mission, vision, and values. These help define what the organization is about and what is important in the achievement of the strategy.

Operational Priorities represent the **goals and objectives** that help the organization achieve its long-term strategy. Typically, the operational priorities are **short-term** and **may change more often** than the strategic priorities. Front-line leadership in organizations usually focus on the tactical goals to achieve the operational priorities.

Operational Focus Areas:

Operational Priorities involve much of the day-to-day within the organization, including:

- People (Customers and Employees.)
- Products and Services.
- Processes and Policies.
- Technology and Systems.
- Regulatory and Compliance.

Now that we have reviewed the core elements of a business model and how business strategy supports the achievement of organizational success, let's go over the typical organizational structure of a business.



Complete the content above before moving on.



Organizational Structure



Types of Organizational Structures

The structure of a business depends largely on the size and scope of the organization. Most businesses operate with a **centralized** structure, meaning there is a clear hierarchy and chain of command. However, more start-up businesses today are structured with a **decentralized** approach, enabling them to operate more efficiently and lean by dispersing decision-making across various departments or parts of the business.

Regardless of whether the business is centralized or decentralized, it is important to identify the decision-making authority and level of autonomy within the organization. There is usually some type of hierarchy in any business, unless the business operates solely from a flat structure where all key personnel share similar decision-making responsibilities. Many organizations establish a type of management board to guide their businesses.



The Management Board

The management board is a set of senior leaders or managers who have authority on the overall direction of the organization. A management board is removed from the day-to-day aspects of the business and focuses on the strategic direction and health of the business. In smaller organizations that do not have a management board, these strategic decisions may be made by a senior leader, or even the business owner and his or her partners.

Functional Areas of a Business

Depending on the size of your customer's organization, the complexity may vary once you begin to look deeper into their structure. The bigger the customer, the more complex their structure. The majority of small to medium-sized organizations structure themselves by the functions that serve the business.

A functional organizational structure is most common for today's businesses. Below are some of the typical functions that you may encounter with your customer's businesses.

Click on each box below to learn about the functions that play a role in the organizational structure.

Operations

Operations may include the following business units:

- Production and Logistics
- Supply Chain

Finance

Finance may include the following business units:

- Accounting
- Human Resources
- Legal and Compliance
- Risk Management
- Procurement
- Administration/Communications

Distribution

Distribution may include the following business units:

- Sales
 - Marketing
 - Customer Service
 - Product Support
-

Research and Development

Research and Development may include the following business units:

- Product Development
- Research
- Information Technology (may also sometimes be part of Operations)

“ Every company has two organizational structures: the formal one is written on the charts; the other is the everyday relationship of the men and women in the organization.

Harold Geneen

Why is Organizational Structure Important?

As you engage with your customers in the sales process, it is critical for you to learn as much as possible about their business. This includes your customer's organizational structure. Organizational structure is important in the selling process for many reasons.



Decision-Making: When you fully understand your customer's organizational structure, you can gain a better sense of how decisions are made by the customer. You should take the time to learn about who is involved in decisions, how the process works, and what criteria your customer may use in making purchase decisions.




Wider Organizational Lens: By knowing more about your customer's organization, you may be able to see connections and impacts of business problems to other parts of their business. Sometimes as an outside observer of their business, you can see the forest through the trees and suggest additional solutions to help address issues that are not as apparent.



Expanded Relationships: If you only focus on your immediate customer in the sales process, you may miss opportunities to have a broader reach with their organization. By understanding their structure, you can offer to consult with other functional areas of the business and draw them into the conversation and exploration of needs.

Learn as much as you can about your customer's organization by researching their website, meeting with various representatives, and always asking questions.

Next, let's go over the metrics that many organizations use as a measurement of success.

 Complete the content above before moving on.



Organizational Measurements



How Do Organizations Measure Success?

Depending on your customer's specific business, there are many ways that an organization can measure their level of success. Organizational measures may be expressed in one of two ways: Key Performance Indicators (KPIs) or metrics.

What is the difference between KPIs and metrics?

The simplest way to distinguish between KPIs and metrics is through the lens that is applied to each one. KPIs are typically the strategic measurements of an organization, and may be a collection of metrics that quantify the measurement. On the other hand, metrics are more tactical in nature, and may be represented by a single, quantifiable data element.

Click on each tab below to review key financial, sales, customer, and internal measures.

FINANCIAL MEASURES	SALES MEASURES	CUSTOMER MEASURES	INTERNAL MEASURES
<p>Below are some of the key financial measures that indicate the health and success of a business:</p> <ol style="list-style-type: none"> Net Profit Margin: Net profit margin is a measure of how much net income is generated as a percentage of total revenue. The net profit margin is a percentage of how much profit a business makes after all the business expenses are deducted from the gross margin. Gross Margin: Gross margin, or gross profit margin, is a measure of the gross profits as a percentage of your total sales revenue (minus the cost of goods sold). The higher the gross profit margin, the more your business earns per sales dollar. Overhead or Operating Expenses: Overhead represents the fixed costs of a business, such as salaries, legal fees, rent, and utilities. These costs are typically not attributed to the cost of producing the business product or service. Variable Costs: Variable costs are attributed to the expenses of producing or distributing a product or service, such as raw materials or packaging. The costs are variable because they change based on sales revenue and production. EBITDA: EBITDA is an acronym for earnings before interest, taxes, depreciation, and amortization. EBITDA is an alternate. EBITDA is a measure of a business's operations performance. 			


FINANCIAL MEASURES	SALES MEASURES	CUSTOMER MEASURES	INTERNAL MEASURES
<p>Below are some of the basic sales measures that indicate the health and success of business sales:</p>			

1. **Sales Revenue:** Sales revenue represents the total income that is generated as a result of sales. There is gross revenue and net revenue. Net revenue is calculated by subtracting the cost of returned or undelivered goods from the total revenue.
2. **Sales Growth (YTD):** Sales growth is an important measure to identify overall increase or decrease in sales revenue. Sales growth should be measured within a time period; for example, from quarter to quarter or year over year.
3. **Qualified Leads (per month):** The Qualified Leads measures the number of leads that are being pursued within a set timeframe. Businesses may measure the qualified leads from three perspectives: marketing qualified leads, sales accepted leads, and sales qualified leads. Sales Qualified Leads are most accurate in identifying the number of leads that could potentially convert into customers.
4. **Lead to Customer Conversion Rate:** Leads to customer conversion rate indicates the number of leads that eventually become signed deals and active customers. The measure is a proportion of qualified leads that result in actual sales or closed deals.

FINANCIAL MEASURES	SALES MEASURES	CUSTOMER MEASURES	INTERNAL MEASURES
Below are some of the key customer measures that indicate the health and success of a business:			
<ol style="list-style-type: none">1. Customer Acquisition Cost: The customer acquisition cost identifies what it costs to acquire a new customer. It is calculated by dividing the costs to acquire customers (e.g. marketing, advertising, etc.) by the number of new customers in a specific time period.2. Customer Loyalty/Retention: The retention rate measures the number of customers who keep using your product over an extended time period and make repeat purchases or recurring transactions.3. Customer Churn Rate: The customer churn rate measures the number of customers who stop using your product or service after a specific period of time.4. Net Promoter Score (NPS): The net promoter score is a measure of customer satisfaction by asking customer if they are willing to recommend the business product or service to someone else. Promoters of a business bring additional business through word of mouth or social media and can elevate a business. Detractors can hinder the business through social media and other methods of social engagement.			

FINANCIAL MEASURES	SALES MEASURES	CUSTOMER MEASURES	INTERNAL MEASURES
Below are some of the key internal measures that indicate the health and success of a business:			
<ol style="list-style-type: none">1. Employee Satisfaction/Engagement: Many businesses conduct periodic assessments of their employees to determine their level of engagement with the work, and satisfaction with the organizational leadership, benefits, and work life.2. Employee Attrition/Turnover: The number of employees who leave the organization compared to the total number of employees is an important measure for a business. Typically tracked by the Human Resources function, turnover may provide insight into opportunity areas within a business. There is a significant cost of replacing employees which is why a business wants to track this information.3. Projects Completed/Milestones Reached: Project management tracking is helpful for businesses to determine what initiatives are being implemented vs. ones that are not completed, or cancelled. There are many measures of success that tie to projects, including costs, resources, and time. Businesses may also track the return on investment (ROI) of initiatives to determine if the benefits outweigh the costs of implementation.4. Diversity, Equity, and Inclusion: Today's businesses are actively measuring diversity from different standpoints, including specific diversity groups such as women, or minorities. These measures reflect the overall hiring, promotion, compensation, and turnover of diverse groups.			

Now that we have covered the aspects of business acumen, let's examine some basics of financial acumen.

 Complete the content above before moving on.



Key Financial Documents



“ I call it the Rule of Three. If you read a company's financial statements three times, and you still can't figure out how they make their money, that's usually for a reason.

James Chanos

Why are Financials Important to Sales?

As an AT&T seller, your role is to help the customer identify the solutions they need to help run their business. When you take the time to understand your customer's financials (i.e., where they spend money, how much they spend, and how much they profit), then you can better align your solutions to their strategic needs. You can use past financial statements to help the customer make decisions about the future by predicting the return on investment.

One important customer document that you should review is the **Annual Report**.

The Annual Report

An annual report is a document that contains comprehensive financial information about a business such as public companies, small and large corporations, non-profit organizations, partnerships, and other businesses. It includes their financial performance and activities over the prior fiscal year.

In some states where a business resides, an annual report filing may be required. Or, a business may prepare an annual report to inform their shareholders, employees, and business community about the financial health of the business and to communicate how the business is performing.

Annual reports serve many purposes:

- providing a picture of a company for the prior year,
- offering general company communication for shareholders,
- acting as marketing pieces to other interested parties,
- serving as compliance documentation, and
- sharing financial statements for the key business elements.

Let's break down the important elements of the annual report.

Click on the interaction below to learn more about the elements of the annual report.

The Elements of the Annual Report



AT&T INC. 2021 ANNUAL REPORT

TO OUR SHAREHOLDERS

As I look back on the past year, I couldn't be prouder of AT&T's employees for their hard work and resilience during this pandemic in keeping our customers connected while accelerating our business momentum.

Our company's purpose to create connection is more important than ever. Over the past 2 years, the internet has become a lifeline for many — a connection to friends, family, work, commerce, education, health, entertainment and more. It's no surprise that during this pandemic, AT&T experienced its largest annual increase in data traffic in 2021.

THE DAWN OF A NEW AGE OF CONNECTIVITY

With more people working from home and an ever-increasing number of connected devices, machines and sensors, we see nothing that suggests a return to lower pre-COVID levels of demand for high-speed connectivity. In fact, I believe that we're now at the dawn of a new age of connectivity — powered by the widespread and growing availability of 5G and fiber, and defined by greater ubiquity, reliability, security, capacity and speed.

That's the context behind our decision in 2021 to reposition our business, simplify our strategy and focus our capital allocation in 3 areas:

- Strengthening our balance sheet to have the flexibility to be the best connectivity provider in the United States.
- Investing in growth initiatives to take advantage of increasing demand and our most valuable, enduring strengths in connectivity.
- Providing an attractive return to shareholders through a combination of earnings growth and cash dividends that offer some of the best equity yields in America.



John Easley
Chief Executive Officer

AT&T INC. 2021 ANNUAL REPORT 1

Click through this interaction to learn more about the elements of an Annual Report.

Element 1

The Balance Sheet

Consolidated Balance Sheets		
Dollars in millions except per share amounts		
	December 31,	
	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 21,169	\$ 3,740
Accounts receivable - net of related allowance for credit loss of \$71 and \$120	12,071	10,215
Inventory	3,464	3,695
Prepaid and other current assets	17,703	8,358
Total current assets	54,407	26,008
Noncurrent Investments and Theatrical Film and Television Production Costs	16,943	14,752
Property, Plant and Equipment - Net	10,944	17,315
Goodwill	131,253	151,219
Licenses - Net	110,839	10,849
Trademarks and Trade Names - Net	21,039	21,257
Distribution Networks - Net	15,942	15,793
Other Intangible Assets - Net	17,703	5,266
Investments in and Advances to Equity Affiliates	7,274	1,793
Operating Lease Right-of-Use Assets	24,100	24,714
Other Assets	20,368	23,677
Total Assets	\$ 351,827	\$ 326,761
Liabilities and Stockholders' Equity		
Current Liabilities		
Due - making within one year	\$ 24,430	\$ 3,470
Note payable to DIRECTV	3,440	—
Accounts payable and accrued liabilities	10,601	10,091
Advanced billing and customer deposits	3,300	4,175
Deferred liability	3,749	3,741
Total current liabilities	45,520	21,476
Long-Term Debt	102,749	101,175
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	40,206	40,472
Potential employment benefit obligation	12,449	18,276
Operating lease liabilities	12,281	12,202
Other noncurrent liabilities	30,239	28,338
Noncurrent portion of note payable to DIRECTV	96	—
Total deferred credits and other noncurrent liabilities	125,481	129,308
Stockholders' Equity		
Preferred stock (\$1 par value, 10,000,000 authorized at December 31, 2021 and December 31, 2020)	—	—
Series A (40,000 issued and outstanding at December 31, 2021 and December 31, 2020)	—	—
Series B (20,000 issued and outstanding at December 31, 2021 and December 31, 2020)	—	—
Series C (75,000 issued and outstanding at December 31, 2021 and December 31, 2020)	—	—
Common stock (\$1 par value, 4,000,000,000 authorized at December 31, 2021 and December 31, 2020; issued 7,402,746,395 at December 31, 2021 and December 31, 2020)	7,402	7,401
Additional paid-in capital	186,169	161,175
Retained earnings	40,360	31,457
Treasury stock (476,676,705 at December 31, 2021 and 494,825,583 at December 31, 2020; at cost)	(27,280)	(27,093)
Accumulated other comprehensive income	3,529	4,330
Noncontrolling interest	17,581	17,642
Total stockholders' equity	180,161	175,413
Total Liabilities and Stockholders' Equity	\$ 351,827	\$ 326,761

48

A Balance Sheet provides a snapshot of a company's financial picture and indication of its financial strength. It summarizes the following information for a specific point in time:

- Business assets listed from most liquid to least liquid.
- Liability listed from those due first to those due last.
- Equity
- Assets (calculated by adding Liability with Equity)

Click on the image to enlarge the view.

Element 2

The Statement of Income

	2021	2020	2019
Operating Revenues			
Service	\$ 142,391	\$ 132,767	\$ 163,499
Equipment	18,473	18,393	17,264
Total operating revenues	160,864	151,160	180,763
Operating Expenses			
Cost of revenues			
Equipment	23,739	19,706	18,653
Brickstack programming and operations	24,797	27,355	31,732
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	31,352	32,939	34,356
Selling, general and administrative	37,944	38,039	39,402
Asset impairments and abandonments	4,264	30,893	1,468
Depreciation and amortization	22,802	28,316	28,217
Total operating expenses	145,517	160,455	153,828
Operating Income	15,347	4,495	27,935
Other Income (Expense)			
Interest expense	(4,884)	(7,925)	(8,422)
Equity-related income of affiliates	621	25	6
Other income (expense) - net	9,855	(1,457)	(1,577)
Total other income (expense)	5,592	(8,397)	(9,493)
Income (Loss) Before Income Taxes	20,947	(3,902)	18,442
Income tax expense	5,469	865	3,438
Net Income (Loss)	15,478	(4,767)	15,004
Less: Net Income Attributable to Noncontrolling Interest	(1,398)	(1,073)	(1,073)
Net Income (Loss) Attributable to AT&T	\$ 14,080	\$ (5,790)	\$ 13,931
Less: Preferred Stock Dividends	(207)	(193)	(0)
Net Income (Loss) Attributable to Common Stock	\$ 13,873	\$ (5,983)	\$ 13,931
Basic Earnings Per Share Attributable to Common Stock	\$ 2.77	\$ (0.70)	\$ 1.90
Diluted Earnings Per Share Attributable to Common Stock	\$ 2.76	\$ (0.72)	\$ 1.89

The Statement of Income helps investors understand a company's profitability or lack of profitability during a specific period of time (e.g., quarterly or annually.) It is also known as a Statement of Earnings, Profits and Loss, or P&L statement.

Profitability is calculated by subtracting expenses from sales. If the company's sales were good during the specific period of time and expenses were managed well, the company will earn a profit. Shareholders consider this a sign of good management.

Click on the image to enlarge the view.

Element 3

The Statement of Cash Flow

	2021	2020	2019
Operating Activities			
Net income (loss)	\$ 21,479	\$ (3,471)	\$ 14,975
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	22,862	28,716	29,217
Amortization of film and television costs	11,004	8,621	9,367
Distributed (undistributed) earnings from investments in equity affiliates	161	88	795
Provision for uncollectible accounts	1,340	1,371	2,375
Deferred income tax expense	5,246	1,675	1,864
Net (gain) loss on investments, net of impairments	(927)	(742)	(2,146)
Pension and postretirement benefit expense (credit)	(13,449)	(27,862)	(2,832)
Actuarial (gain) loss on pension and postretirement benefits	(4,149)	4,369	5,171
Asset impairments and abandonments	4,364	10,840	1,458
Changes in operating assets and liabilities:			
Receivables	(954)	2,276	2,812
Other current assets, inventories and theatrical film and television production costs	(16,472)	(13,070)	(12,852)
Accounts payable and other accrued liabilities	1,636	(1,470)	(1,546)
Equipment, installment receivables and related sales	(283)	(1,470)	544
Deferred customer contract acquisition and fulfillment costs	32	376	(970)
Postretirement claims and contributions	(862)	(868)	(1,058)
Other – net	466	1,104	738
Total adjustments	16,475	46,301	33,623
Net Cash Provided by Operating Activities	41,957	43,191	48,608
Investing Activities			
Capital expenditures	(16,327)	(15,875)	(19,630)
Acquisitions, net of cash acquired	(25,423)	(1,819)	(1,889)
Dispositions	6,740	3,541	4,684
Distributions from DIRECTV in excess of cumulative equity in earnings	1,371	—	—
Other – net	(171)	87	10
Net Cash Used in Investing Activities	(35,009)	(14,086)	(16,825)
Financing Activities			
Net change in short-term borrowings with original maturities of three months or less	1,706	(87)	(274)
Issuance of other short-term borrowings	21,858	6,440	4,012
Repayment of other short-term borrowings	(2,718)	(8,463)	(8,294)
Issuance of long-term debt	6,591	35,368	17,229
Repayment of long-term debt	(6,142)	(29,046)	(27,342)
Note payable to DIRECTV, net of payments of \$469	1,341	—	—
Payment of senior financing	—	(2,066)	(2,055)
Issuance of preferred stock	—	3,869	1,164
Purchase of treasury stock	(202)	(24,496)	(2,477)
Issuance of treasury stock	96	125	631
Issuance of preferred interests in subsidiary	—	1,079	7,579
Redemption of preferred interest in subsidiary	—	(13,910)	—
Dividends paid	(15,968)	(14,266)	(14,848)
Other – net	(2,448)	(4,570)	(670)
Net Cash Provided by (Used) in Financing Activities	1,179	(2,027)	(2,655)
Net Increase (Decrease) in cash and cash equivalents and restricted cash	1,444	(2,425)	6,896
Cash and cash equivalents and restricted cash beginning of year	8,976	12,761	6,445
Cash and Cash Equivalents and Restricted Cash End of Year	\$ 21,316	\$ 9,873	\$ 12,225

49

A Statement of Cash Flow is a financial statement that shows the short-term viability of a company. It shows the net increase or decrease in cash or cash equivalents (i.e., cash in and cash out).

It includes the following data points:

- Cash from Operations—cash generated from the core business.
- Cash from Investing—change in cash from financial investments and purchases of sales of capital assets.
- Cash from Financing—change in cash due to paying down loans, issuing cash dividends, and buy back stocks.
- Cash Flow—Cash from Operations + Cash from Investing + Cash from Financing

Click on the image to enlarge the view.

Summary

As you take time to learn more about your customer, review of these three important financials will provide you with a much better perspective on the health of their business. While the financials are critical, most annual reports have other valuable information that sheds light on the business, including:

- Summary and Narratives
- Market and Future Outlooks
- Risk Factors
- Other information

Make sure to review the annual report in its entirety to gain a full understanding of your customer's business.

Now that we have reviewed the elements of an annual report, let's test your knowledge by having you find information within the annual report.



Complete the content above before moving on.



Knowledge Check

Using the **2022 AT&T Annual Report**, answer the questions below. You can access the annual report by clicking on the button below.

2022 AT&T Annual Report

Click on the link to the right to view and open the report.

[CLICK HERE](#)

1. What year does AT&T plan to be carbon neutral?

☐

2027

- ☐ 2040
- ☐ 2035
- ☐ 2030

SUBMIT

2. What was the percentage change in operating revenue for the Business Wireline Segment from 2021 to 2022?

- ☐ (5.8)%
- ☐ (9%)
- ☐ 6%
- ☐ 0%
- ☐ .8%

SUBMIT

3. What was the amount of long-term debt in 2022? Fill in the blank with the answer.

Type your answer here

SUBMIT

4. What were the total operating expenses in 2022?

- ☐ 128,530 (in millions)
- ☐ 145,517 (in millions)
- ☐ 125,328 (in millions)

SUBMIT

5. True or False. One of the noted Risk Factors in the Annual Report is climate change?

- ☐ True
- ☐ False

SUBMIT

Let's review some of the challenges and best practices of business acumen.

CONTINUE



Challenges and Best Practices



Challenges

Below are the more common challenges that you may experience with business acumen.

The good news is that there are ways to help overcome these challenges.

Challenge	How to Overcome the Challenge
The customer's financials are not available.	<ul style="list-style-type: none">• If your customer is a private company, they are not required to file any financials with the Securities and Exchange Commission (SEC). If they are public, then this information should be publicly available.• Find ways to compare your customer's private company with the closest public competitor information.• Conduct research online through a variety of resources, including the company website, social media, job postings, trade shows, and industry news. Use this information to piece together a better understanding of the growth and health of the customer's business.
The customer's business is new and the financial information is limited.	<ul style="list-style-type: none">• Work with your customer contact to gather as much information as possible about projected earnings, growth plans, etc.• Consider close competitors with a similar business profile and model.
The customer is a non-profit organization.	<ul style="list-style-type: none">• There are different types of documentation that non-profits must file (Form 990 Series). You can find this information on the IRS website (www.irs.gov).

- Subscription services like GuideStar can also provide additional financial information for non-profits, including the Form 990 Series.

CONTINUE



Best Practices

Below are some best practices for enhancing your understanding of business acumen.

Best Practice	Description
Gain insights from risk factors in the annual report.	The risk factors help to identify areas of concern or risk to an organization and can be helpful when identifying technology solutions to mitigate these risks.
Familiarize yourself with the customer's operating structure.	By leveraging company websites and social media, you gain knowledge of the business operations which can help you identify factors of their decision-making process.
Focus on continuous learning.	Business acumen has so many levels of proficiency. Focus your efforts on always learning. Use your resources to grow your knowledge and skills. Find a mentor who is strong in business acumen.

CONTINUE

Wrap-Up



Business Acumen Course Summary

Your ability to be successful as a seller requires a solid understanding of their business and financial documentation that paints a better picture of their organizational health. There's never too much information that you can learn about your customers in order to provide them with the best possible guidance and support to help them achieve their goals and objectives.

By continually building your business acumen, you will improve your overall business savviness working with customers. Take action to improve your business acumen skills.

Your Next Steps

Below are some suggested ways to implement what you learned in this course:



Focus on applying the target behaviors for this skill and meet with your manager to discuss your proficiency in these target behaviors:

- Identify aspects of the financial statements that are relevant to formulating customer insights.
- Communicate with confidence a solid understanding of the customer's business model, strategy, organizational structure, and important business metrics.
- Adopt a continuous learning approach to business and financial acumen.



Shadow a sales conversation with someone you know who possesses strengths in their ability to ask questions.



Seek feedback from your manager or colleagues about your abilities.



After a customer consultation, **reflect** on what went well and what could have been done more effectively.



Complete the content above before moving on.



Additional Resources

The following are some additional resources to help you build your business acumen skills.

Location

This location can be a URL, another lesson, or an email address. You can type a description here.

GO TO LOCATION 2

Location

This location can be a URL, another lesson, or an email address. You can type a description here.

GO TO LOCATION 3

Location

This location can be a URL, another lesson, or an email address. You can type a description here.

GO TO LOCATION 3

Location

This location can be a URL, another lesson, or an email address. You can type a description here.

GO TO LOCATION 4

CONTINUE

Survey



Please take a moment to complete the course survey.

We appreciate the feedback.

[COURSE SURVEY](#)



Complete the course survey before you continue.

Thank you for completing the course!