Concepts and indicators

Key concepts

Statistical Enterprise

An enterprise is a single corporation or a family of corporations under common ownership or control, for which consolidated financial statements are produced.

Controlling Interest

The controlling interest of an enterprise, referred to as the enterprise head, may be an individual, a related group, a corporation or a government. Controlled corporations are called subsidiaries. A multi-corporation enterprise contains one or more subsidiaries. A corporation that is not controlled by another corporation and that does not control another corporation is called a single-corporation enterprise.

Corporate control

Corporate control is the potential to affect the corporate strategic decision-making process of the board of directors of a corporation**.** In many cases where control is said to exist, corporations may still function with considerable autonomy in their financial, marketing, or operational activities. **Majority control** is exercised by a person, group or corporation if more than 50% of the voting equity of a corporation is held, directly or indirectly, other than by way of security only, by or for the benefit of that person, group or corporation. In the case of irrevocable options or the right to acquire shares, the calculation of the voting equity is made as if all options have been exercised. **Effective control** of a corporation implies control of the corporation through methods other than ownership of the majority voting equity of the corporation. The assessment of effective control may be based on any of the following rules:

- If more than 50% of the directors of a corporation are also directors of a trust or an estate, or are also members of a related group, then the corporation is effectively controlled by that trust, estate or related group.

- If more than 50% of the directors of a corporation are also directors of another corporation, and if there is a significant voting ownership of the corporation by that other corporation, then the corporation is effectively controlled by that other corporation.

- If control is acknowledged by a corporation, then the acknowledgement is sufficient to assign effective control.

Country of control

In most cases of foreign control, the country of control is the country of residence of the ultimate foreign controlling parent corporation, family, trust, estate or related group. Each subsidiary within the global enterprise is assigned the same country of control as its parent. A company whose voting rights are equally owned by Canadian-controlled and foreign-controlled corporations, is Canadian-controlled. If two foreign-controlled corporations jointly own an equal amount of the voting rights of a Canadian resident company, the country of control is assigned according to an order of precedence based on their aggregate level of foreign control in Canada. For example, United States takes precedence over all other foreign countries because it has the highest level of aggregate foreign control in Canada.

Key Indicators

Total assets are the sum total of economic resources over which an enterprise exercises a certain control. Included are cash and deposits; accounts receivable and accrued revenue; inventories; investments and accounts with parents, subsidiaries and affiliates; portfolio investments; loans given to other enterprises; and capital assets.

Operating revenues includes revenues from the sales of goods and services; rental and operating lease revenues; and revenues from commissions, franchise fees, and royalties.

Operating expenses includes the cost of goods and services used as inputs into production; wages and salaries; employer portion of employee benefits; indirect taxes; and depreciation, amortization and depletion of buildings, machinery and natural resources.

Operating profits are the difference between Operating Revenues and Operating Expenses.

Operating profit margin is the net result of the principal business activities of a firm. This profit is before taking into account interest expense, investment income, non-recurring losses from the write-downs of assets, gains or losses realized on the disposal of assets, and income tax expense. This ratio indicates management's ability to generate earnings from the principal business activities of a firm. The ratio is expressed as a percentage of operating revenue.

$$\text{Operating profit margin} = \frac{\text{Operating Profit}}{\text{Total operating revenue}}$$

Return on equity measures the level of return to the owners (investors) and it represents their measure of profitability. The earnings figure is the after-tax profits, including a deduction for interest expense (payments to lenders). It is the net profit available to the owners (investors) before extraordinary gains. The ratio indicates how many cents are returned to every dollar invested by the owners.

$$\text{Return on equity} = \frac{\text{Profit before extraordinary gains}}{\text{Shareholders' equity}}$$