

SoA GUIDE | MEMBERS ONLY

How to read a royalty statement



How to Read a Royalty Statement

This Guide is available to SoA members only, as a benefit of membership.

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We know that royalty statements can be daunting and opaque, but we are here to help.

1. Useful information to ask your publisher for and keep to hand:

- A list of all ISBNs and ASINs (Amazon Standard Identification Numbers) so whenever your statements arrive, you can check the details for each edition.
- The email address of someone in the accounts department so if anything is unclear, you can query it.
- Copies of all sublicence agreements e.g. foreign rights deals.
- If your publisher is an ebook/print on demand only publisher, ask to receive copies of the statements Amazon sends the publisher, too.

2. Have your publishing contract (plus sublicence agreements) and statement side by side and work through our handy checklist below.

- (Keep in mind that statements vary widely and some of these points may not apply - much depends on how the work will be sold and the terms in your contract. As a priority, ensure that ISBNs and royalty percentages are correct.)
- Check the dates. Does the accounting period reflect the dates set out in the accounting clause in your contract?
- Are all ISBNs and ASINs covered?
- Check that all the editions accounted for are included in the grant of rights in your contract.
- If this is the first statement for a new title, does the advance match the figure in your contract?
- Is the amount of any unearned balance brought forward from the previous statement correct? (Or the advance may have earned out.) Remember that total advances will be offset against all income.
- If statements show a minus figure, bear in mind that this could be an unearned advance or it could be returns.
- If you are being paid a fee plus royalties, check the fee matches the figure in your contract and that it is not mistakenly being treated as an advance.
- If your contract provides for a bonus advance or fee in certain circumstances e.g. when sales reach a threshold or you are longlisted for a prize, make sure this has been applied if and when it is relevant.
- Do the royalty percentages in the statement match the clauses in your contract and is the basis for the calculation correct i.e. royalties based on published price or net receipts (or a combination). Ebooks, audiobooks and export royalties will always be based on net receipts.
- Check that discount thresholds have been applied correctly e.g. if percentages reduce or switch from published price to net receipts when retailers' discounts are applied.
- Have escalators been applied e.g. if your royalty should rise after an agreed number of sales?
- Is it clear how many units have been sold?
- If the basis for calculating income from streaming models and subscription deals such as Kindle Unlimited is unclear, ask for further information.

- For any 'special sales' or other bulk deals, were you consulted (if your contract provided for it) and is the royalty rate correct?
- Check that any deductions are correct. Depending on your contract, this might include a reserve against returns or actual returns, permissions fees, bank charges if working with a foreign publisher.
- Can you see the number of copies in stock (not always included in statements but you can ask)?
- Subsidiary rights income: has the correct percentage been applied? If the advance for the deal has earned out, are royalties flowing through?
- If relevant to you, has VAT been added?

Authors writing in the educational and academic sectors may be receiving pro-rated royalties from aggregators, which can be particularly complex. Check with the SoA if in doubt.

Finally, be alert not only to underpayments but also to overpayments as you will probably have to return the money.

3. What to do if you think your statement is incorrect

- Human errors happen. Talk to the royalties department first.
- Get in touch with the SoA to discuss your options.



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Further information - If you need a large-print or text-only version of this document please contact the SoA. If you are a member with specific queries, please contact our advisors in the first instance.

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