

Module 5: Financial documents

Unit 1: Financial documents – the basics

VOCABULARY

- 1) You are going to listen to Eric Sharp, a financial director, talking about accounting. Before you listen, check your understanding of the words and phrases in the box by matching them with their definitions (1-10).

assets	cost accounting	income	tax accounting	financial accounting
expenditure	liabilities	bookkeeping	management accounting	auditing

1. anything owned by a company – cash, buildings, machines, etc.
2. calculating how much tax an individual or a company should pay – or trying to reduce this figure
3. checking and evaluating financial records
4. determining the unit cost of a manufactured product, including indirect costs
5. keeping financial records and preparing financial statements
6. money that a company will have to pay to someone else – bills, debts, interest, taxes etc.
7. recording transactions (purchases and sales) in ledgers
8. money that a company receives from supplying goods or services
9. the money that a company spends
10. the use of a company's accounting data by its managers for planning and control

LISTENING 1

- 2) Listen to Eric Sharp talking about the different branches of the accounting profession. What three roles or areas of work does he mention?
- 1.
 - 2.
 - 3.
- 3) Now listen again and match the two parts of the sentences below.
1. Bookkeepers
 2. Management accountants
 3. Senior accountants at financial controller and director level
 4. Internal auditing
 5. External auditors
- a) is about making sure that the management has sufficient control over what's going on in the company.
 - b) do the boring work – recording transactions in purchase ledgers and sales ledgers
 - c) have to verify that a company's published financial statements give a true and fair view of its profit, its assets and its liabilities.
 - d) interpret the transactions recorded by bookkeepers.
 - e) use accounting data to make decisions about how the business should proceed.

- 4) Which branches of accounting defined in Exercise 1 are not mentioned by Eric Sharp? Would you be interested in working in these areas of accounting?

LISTENING 2

- 5) Listen to Eric Sharp talking about financial statements and complete the text.

Eric Sharp: . There are three or four different statements that companies include in their Annual Reports, which (1) _____ can legally expect to see. The key documents are the profit and loss account, the balance sheet, and a funds flow statement of some kind. In the USA, and under International Financial Reporting Standards, the profit and loss account is called an income statement. This document is fairly self-explanatory: it's (2) _____ . The balance sheet is a statement showing what the company has, and (3) _____ at the end of the year, while the funds flow statement attempts to show whether the company is (4) _____ cash. The tax authorities require more detail than is given in these documents; (5) _____ is not the same as accounting profit, so they will expect to see reconciliations between the two.

SLOVAK CORNER

accounting – účtovníctvo
bookkeeping – účtovanie, zapisovanie do účtovných kníh
ledger – účtovná kniha

KEY:

Exercise 1:

1 assets; 2 tax accounting; 3 auditing; 4 cost accounting; 5 financial accounting; 6 liabilities; 7 bookkeeping; 8 income; 9 expenditure; 10 management accounting

Exercise 2:

Eric Sharp mentions bookkeeping (done by bookkeepers or clerks), accountants and auditing.

Exercise 3: 1b; 2d; 3e; 4a; 5c

Exercise 4: Eric Sharp does not mention cost accounting or tax accounting.

Exercise 5: 1 shareholders; 2 income less expenditure; 3 what it owes; 4 generating or consuming; 5 taxable profit