

Module 5: Financial documents

Unit 3: The Income Statement

VOCABULARY

- 1) Investors and many people working in the finance need to understand the basic terms in financial statements. Decide which of the alternatives (a-c) each definition describes:

- A charge for arranging a transaction (e.g. buying or selling securities)
a) commission b) fee c) tax
- A charge for a service performed by a bank
a) commission b) fee c) tax
- Payments for an insurance policy
a) commissions b) premiums c) tariffs
- A reduction in the value of an asset, charged against profits
a) depreciation b) loss c) waste
- An adjective meaning after all deductions have been made
a) gross b) net c) zero
- An adjective meaning for a whole group of companies
a) consolidated b) corporate c) mutual
- An adjective meaning one year or less in financial statements
a) annual b) long-term c) short-term
- Part-ownership (less than 50%) of other companies
a) conglomeration b) liabilities c) minority interests
- Things of value that cannot be physically touched, such as reputation (goodwill), brand names and trade marks
a) intangible assets b) liabilities c) tangible assets
- The net worth of a company – the amount by which assets exceed liabilities
a) dividends b) profit c) shareholders' equity

- 2) Now look at the income statement from Barclays Bank, and complete it using answers from Exercise 1. Some words can be used more than once.

Barclays PLC

(1) _____ income statement – IFRS

For the year ended 31st December

	2005 £m	2004 £m
Continuing operations		
Interest income	17,232	13,880
Interest expense	(9,157)	(7,047)
Net interest income	8,075	6,833
Fee and commission income	6,430	5,509
Fee and commission expense	(725)	(662)
Net (2) _____ and (3) _____ income	5,705	4,847
Net trading income	2,321	1,487
Net investment income	858	1,027
Principal transactions	3,179	2,514
Net (4) _____ from insurance contracts	872	1,042
Other income	147	131
Total income	17,978	15,367
Net claims and benefits paid on insurance contracts	(645)	(1,259)
Total income (5) _____ of insurance claims	17,333	14,108
Impairment charge and other credit provisions	(1,571)	(1,093)
Net income	15,762	13,015
Operating expenses excluding amortisation of (6) _____ (7) _____	(10,448)	(8,514)
Amortisation of (8) _____ (9) _____	(79)	(22)
Operating expenses	(10,527)	(8,536)
Share of post-tax results of associates and joint ventures	45	56
Profit on disposal of associates and joint ventures	–	45
Profit before tax	5,280	4,580
(10) _____	(1,439)	(1,279)
Net profit for the year	3,841	3,301

IFRS = International Financial Reporting Standards

KEY:

Exercise 1: 1 a); 2 b); 3 b); 4 a); 5 b); 6 a); 7 c); 8 c); 9 a); 10 c)

Exercise 2:

1 consolidated; 2 fee; 3 commission; 4 premiums; 5 net; 6 intangible; 7 assets; 8 intangible; 9 assets; 10 tax