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PAGE APPENDIX

Financial statements and ratios

Balance Sheet, Statement of Cash Flows, Statement of Earnings ... Statement of Financial Position, Notes, Annual Report, Budget ...

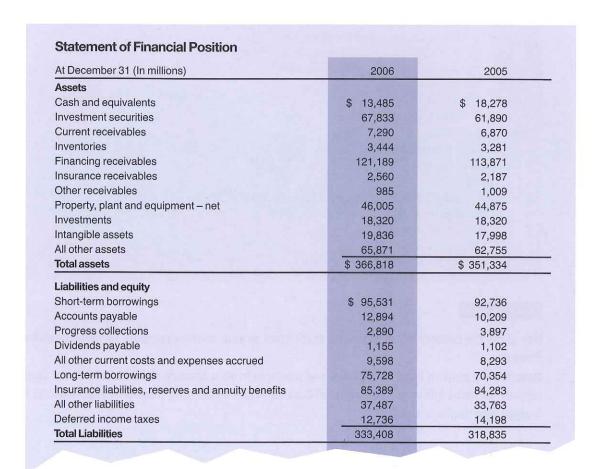
> Market Capitalization, Discounted Cash Flows ...

TARTER

Management Accounts, Investments, Statement of Shareholders' Equity ...

The man in the picture is thinking about different types of financial statements. Which ones are you familiar with? Can you explain what they are used for?

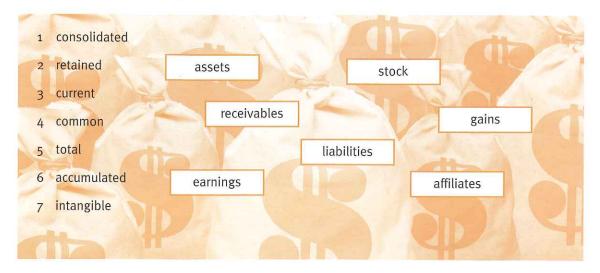
1 Here are two typical examples of the disclosures required under U.S. law. In the U.K. one would be called a *Balance Sheet*, and the other a *Profit and Loss Statement*. In the U.S. they have other names. Which is which?



Minority interest in equity of consolidated affiliates	2,374	2,179
Common stock	1,214	1,214
Accumulated gains/(losses) – net	2,189	2,427
Other capital	9,827	9,834
Retained earnings	30,545	29,772
Less common stock held in treasury	(12,739)	(12,927)
Total share owners' equity	31,036	30,320
Total liabilities and equity	\$ 366,818	\$ 351,334

For the years ended December 31 (In millions; per share amounts in dollars)	2006	2005	2004
Revenues			THE HE HA
Sales of goods	\$80,746	\$ 78,847	\$ 74,387
Sales of services	4,384	4,267	5,925
Other income	1,212	1,434	1,228
Total revenues	86,342	84,548	81,540
Costs and expenses			
Cost of goods sold	28,659	27,498	25,728
Cost of services sold	4,112	4,255	5,601
Interest and financial charges	8,518	8,855	8,645
Insurance losses and policyholder and annuity benefits	10,372	10,137	9,928
Provision for losses on financing receivables	4,374	4,561	4,612
Other costs and expenses	16,811	16,735	14,480
Minority interest in net earnings of consolidated affiliates	215	188	195
Total costs and expenses	73,061	72,229	69,189
Earnings before income taxes and accounting			
changes	13,281	12,319	12,351
Provision for income taxes	(3,547)	(3,188)	(3,441)
Earnings before accounting changes	9,734	9,131	8,910
Cumulative effect of accounting changes	0	(212)	0
Net earnings	\$ 9,734	\$ 8,919	\$ 8,910
Per-share amounts			
Per-share amounts before accounting changes			
Diluted earnings per share	\$ 1.22	\$ 1.16	\$ 1.13
Basic earnings per share	\$ 1.23	\$ 1.17	\$ 1.14
Per-share amounts after accounting changes			
Diluted earnings per share	\$ 1.22	\$ 1.13	\$ 1.13
Basic earnings per share	\$ 1.23	\$ 1.14	\$ 1.14
Dividends declared per share	\$ 0.49	\$.046	\$ 0.45

2 Match the words with their partners, and then look at the statements again to check.



Now match the word partners to their definitions.

- a An asset which does not have a physical nature (such as a trademark or a patent).
- b The holding company owns a minority interest (less than 50%), but the accounts are nevertheless consolidated.
- c The total legal obligations of a company to pay other parties.
- d The ordinary shares held by the owners, who therefore are the last to receive their money back in the event of liquidation.
- e Amounts that will be collected in the normal course of business within one year.
- f Profit which is not paid out to shareholders in the form of dividends, but instead is kept by the company to reinvest or pay off debts.
- g The amounts affecting common stockholders, but not from movements in the stock of the company (e.g. currency translation adjustments).
- 3 Compare the financial statements on pages 14 and 15 to ones from your country. Make some notes for a colleague in the U.S., summarizing the major differences in the layout.

The U.K. and the U.S.A. ofter Can you think of any others?		thing. Here are some important examples.
U.K.	U.S.A.	Your language
Balance Sheet	Statement of Financial Position	
Profit and Loss Statement	Statement of Earnings	
shareholder	stockholder	
stock	inventory	
gearing	leverage	

Choose the best way to say these numbers and equations. (Sometimes more than one way is possible.)

twenty-three comma fifty-six nineteen ninety-nine 23.56 1999 b twenty-three point fifty-six b nineteen hundred ninety-nine twenty-three point five six nineteen nine nine C one nine nine nine d two three point five six two thousand three 10,001 one thousand and one 2003 b ten thousand one two double oh three C ten thousand and one two thousand and three d one triple oh one twenty oh three £63.30 sixty-three pound and thirty pence sixty-three pounds and thirty pence b C sixty-three pounds and thirteen pence d sixty-three pounds thirty five hundred thousand, four hundred, three hundred and forty-two a 5,400,342 five million, four hundred thousand, three hundred and twenty-four b five million, four hundred thousand, three hundred and forty-two C five billion, four hundred thousand, three hundred and twenty-four €45,638 forty-five thousand, six hundred and thirty-eight euro forty-five thousand, six hundred and eighty-three euro forty-five thousand, six hundred and three eight euro C



Now listen and check your answers.

DID YOU KNOW?

Saying numbers in English

Notice how we use the decimal point in English:

6.02 six point oh two

zero (or nought) point oh four 0.04

0.007 zero point double oh seven

56.345 fifty-six point three four five [NB: single numbers after the decimal!]

Here commas - and not decimal points - are used:

12,076 twelve thousand and seventy-six

two million, five hundred and thirty-four 2,534,210

thousand, two hundred and ten

forty-five, sixty-three, eight euro

Sums of money:

three euros sixty-seven OR €3.67

three euro sixty-seven

\$5 m five million dollars

Note how we say years:

nineteen eighty-seven 1987

2003 two thousand and three

2030 two thousand and thirty (or twenty thirty)

Work with a partner to check on some figures. Use the information in your Partner File to make a phone call.



Note the following:

one million

one billion

1.000,000

1,000,000,000

PARTNER FILES

- 6 We often make comparisons when talking about financial statements. Look again at the Statement of Earnings on page 15 and find the figures for the items below. Which sentences (a-h) can be used to describe and compare the figures?
 - 1 Net earnings
 - 2 Interest and financial charges
 - 3 Basic earnings per share (2005 and 2006)
 - 4 Earnings before income taxes and accounting changes
- It's better than last year.
- 2005 to 2006.

f A lot more this year.

- b It's gone down since last year.
- Slightly more this year.

- There's quite a drop from

- 5 Total revenues
- 6 Dividends declared per share
- 7 Other costs and expenses
- 8 Sales of services
 - d It's not as low as two years ago.
- It's virtually the same.
 - h It's exactly the same.

- Write definitions for the following terms:
 - a Working Capital
 - b Return on Assets
 - c Debt/Asset Ratio



Now listen to an accountant explaining ratio analysis to some managers in her company and check your answers.

