

МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
Донецький національний університет
економіки і торгівлі
ім. М.І. Туган-Барановського

Кафедра іноземної філології та перекладу

Г. М. Удовіченко

ENGLISH FOR ACCOUNTING

Навчальний посібник

Кривий Ріг
2018

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Запропонована методична розробка сприятиме розвитку лексичних навичок та комунікативній діяльності студентів. Робота містить вправи за темами, які вивчаються на першому етапі вивчення іноземної мови.

Зміст посібника викликає зацікавленість, пов'язану з актуальністю розроблених тем. Завдання складені на основі сучасних вимог з урахуванням розвитку комунікативної компетенції.

Посібник відповідає сучасним методичним вимогам до навчальної літератури.

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ВСТУП / INTRODUCTION

«Іноземна мова» є навчальною дисципліною, що забезпечує підготовку студентів ступеня «бакалавр».

Мета курсу - формування необхідної комунікативної спроможності у сферах професійного та ситуативного спілкування в усній і письмовій формах; вдосконалення вмінь та навичок читання, перекладу, реферування спеціальної літератури за фахом; вироблення навичок читання та реферування наукової інформації з фаху, ведення бесіди з професійної тематики, ділового листування та роботи з комерційною документацією.

Завданнями дисципліни «Іноземна мова» є:

- набуття навичок практичного володіння іноземною мовою в різних видах мовленнєвої діяльності в обсязі тематики, зумовленої професійними потребами; одержування новітньої фахової інформації через іноземні джерела;
- користування усним монологічним та діалогічним мовленням у межах побутової, суспільно-політичної, загальноекономічної та фахової тематики;
- переклад з іноземної мови на рідну текстів загальноекономічного характеру;
- формування основних вмінь використання знань на практиці під час ведення ділової бесіди або спілкування по телефону в ділових цілях з урахуванням конкретних умов;
- ознайомлення з найбільш відомими зразками мовленнєвої поведінки під час проведення ділових зборів, презентацій та переговорів;
- навчання підготовці до участі у наукових конференціях, семінарах, дебатах, тощо;
- ознайомлення з особливостями оформлення найбільш вживаних паперів.

У результаті вивчення навчальної дисципліни студент повинен

знати:

- лексику, граматику, фонетику і орфографію іноземної мови;
- правила усного ділового спілкування;
- основні вимоги до культури мовлення.

вміти:

- конструювати параграфи для організації думок в єдину інтелектуальну структуру;
- читати та перекладами текст з побутової та професійної тематики середньої складності;
- спілкуватися іноземною мовою на побутові, суспільно-політичні та професійні теми в межах вивченої лексики та граматики;

- писати короткі повідомлення та есе іноземною мовою дотримуючись правил орфографії та граматики;
- складати ділові документи на задану тему, дотримуючись міжнародних стандартів;
- одержувати новітню фахову інформацію через новітні джерела.
- грамотно спілкуватися в межах усного мовлення;
- вести презентації згідно вимог ділового мовлення.

Даний посібник має за мету набуття студентами навичок читати та перекладати тексти з побутової та професійної тематики середньої складності, спілкуватися іноземною мовою на побутові, суспільно-політичні та професійні теми в межах вивченої лексики та граматики, писати короткі повідомлення та есе іноземною мовою дотримуючись правил орфографії та граматики.

Посібник складається з десяти тем, передбачених робочою навчальною програмою з дисципліни. Кожен розділ містить вправи на розвиток усіх видів мовленнєвої діяльності: аудіювання, читання, говоріння та писемного мовлення, виконання яких сприяє розвитку комунікативної компетенції студентів першого та другого рівнів вивчення іноземної мови.

PRACTICAL TRAINING SUBJECT MATTER

UNIT 1. JOBS IN BUSINESS

1.1 JOBS IN ACCOUNTING

Get ready!

Before you read the passage, talk about these questions.

- 1 What jobs do accountants do?
- 2 What are the educational requirements for accountants?

Reading

Read the advertisement from a business college. Then, choose the correct answers.

The advertisement features a hand pointing to the title 'Accounting is a GREAT career choice!'. Below the title, a green banner states 'There are many jobs available for accountants. Here are a few:'. A list of six accounting roles follows, each with a description. The roles are: Bookkeepers, Tax Accountants, Internal Auditors, Budget Analysts, Management Accountants, and Financial Advisors. A concluding sentence mentions that the highest-paying positions require a CPA license, but jobs are also available for students, many of whom are hired as trainees or file clerks.

Accounting
is a **GREAT**
career choice!

There are many jobs available for accountants. Here are a few:

- **Bookkeepers** work in a company's back-office. They record everything the organization earns or spends.
- **Tax Accountants** help their clients fill out tax returns.
- **Internal Auditors** check their employer's records for accuracy.
- **Budget Analysts** manage a company's financial plans.
- **Management Accountants** are business supervisors. They study business operations and help maximize profits.
- **Financial Advisors** help people make smart investments.

The highest-paying positions require a **CPA** license. But jobs are also available for students. Many **firms** hire them as **trainees** or **file clerks**.

- 1 What is the advertisement mainly about?
A a new record keeping method
B how to invest wisely
C steps to becoming .a CPA
D different accounting jobs
- 2 People discuss investments with _ .
A bookkeepers C financial advisors
B trainees D file clerks
- 3 What can be inferred about file clerks?
A They work as volunteers.
B They train for at least a year.

C They are not required to have CPA licenses.

D They have one of the highest-paying positions.

Vocabulary

Match the words (1-5) with the definitions (A-E).

1 _ budget analyst

2 _ bookkeeper

3 _ trainee

4 _ internal auditor

5 _ tax accountant

A a person who fills out tax forms

B a person who records transactions

C a person who reviews financial plans

D a person who is learning a new job

E a person who checks records for accuracy

Fill in the blanks with the correct words and phrases from the word bank.

back-office clients file clerk firm CPA

Steve needs a _____ license to get a higher-paying job.

2 John is in accounting school. He also works as a _____

3 Most book keepers work in the _____

4 Accountants who advertise on TV get more _____

5 Some accountants work alone. Others work for a _____

Listen and read the advertisement again, what area does a management accountant specialize in?

Listening

Listen to a conversation between an accountant and a supervisor. Mark the following statements as true (T) or false (F).

1 _ The man is nervous about working for the company.

2 _ The man was hired as an internal auditor.

3 _ The bookkeepers work in the back-office.

Listen again and complete the conversation.

Accountant: Hello. You 1 _____ Ms. Davenport. I'm Jason Williams.

Supervisor: Jason! Hi. How are you?

Accountant: Great, thanks. I'm really 2 ____ to start working with your firm.

Supervisor: Good. We're glad to have you. Let me show you 3 ____ . Obviously, this is the 4 ____

Accountant: This is where I'll be working, right?

Supervisor: That's 5 ____ . All the bookkeepers work here.

Accountant: So can I get started now?

Supervisor: Well, first you need to 6 ____ with the accounting manager. I'll introduce you.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

I'm really ... to start working with your firm.

Let me show you around.

You need to check in with ...

Student A: It's your first day as an accountant. Talk to Student B about:

- how you feel
- where you will work
- checking in

Student B: You are a senior accountant. Answer Student A's questions.

Writing

Use the conversation to fill out the new employee form. Make up a name for the employee.

**BY THE NUMBERS
ACCOUNTING FIRM**

**New Employee
Information**

Employee
Name: _____

Position: _____

Responsibilities: _____

1.2 BANK MANAGER

Get ready!

Before you read the passage, talk about these questions.

What qualities are important in a manager?

Why do people choose one bank over another?

Reading

Read the web page. Then, choose the correct answers.

Meet the Staff Of Green Valley Bank

Greg Olson joined GVB six years ago and became **bank manager** last September. Greg oversees day-to-day operations of the central **branch**. He **supervises** all bank departments, including the financial **advising** team.

Greg has a fantastic **work ethic**, and his positive attitude **motivates** everyone on his team to strive for excellence. His branch consistently meets **goals** for increasing business efficiency, Greg's recent efforts to improve the **organization** of bank management demonstrated his ability to **solve** complex problems.

Greg also maintains excellent **relationships** with bank customers. Many loyal customers say that his friendliness and enthusiasm keep them banking with GVB. Customers who meet Greg know right away that he is a man of honesty and integrity who can be trusted. With these superior personal skills, Greg has **expanded** GVB's **clientele** significantly.

Greg is always eager to meet new customers. Next time you are in the bank, feel free to stop by his office.

1. What is the purpose of the web page?
A to describe qualities required in a manager
B to explain what makes the bank successful
C to introduce GVB's new manager
D to encourage people to bank with GVB
2. According to the web page, what do customers think about Greg?
A He is a skilled negotiator.
B He is a trustworthy person.
C He provides excellent discounts.
D He runs an organized branch.
3. Which is NOT one of the reasons that Greg is a good bank manager?
A He is respected by the bank's customers.
B He is able to solve difficult problems.
C He improved the financial advising team.
D He motivates other employees to do well.

Vocabulary

Match the words (1-7) with their definitions (A-G).

- | | |
|----------------|---|
| 1 branch | A to monitor and direct something |
| 2 expand | B to make something increase |
| 3 clientele | C a belief in working hard |
| 4 motivate | D to inspire someone to do something |
| 5 supervise | E the way people interact with each other |
| 6 work ethic | F people who visit a particular business |
| 7 relationship | G one of a bank's local offices |

Read the sentence pair. Choose where the words best fit the blanks.

1 solve / oversee

- A The bank hired Judy to _____ the accounting department.
B The manager brought in a specialist to _____ the overstaffing problem.

2 goals / organization

- A Boris was afraid of being fired because he didn't meet his monthly _____.

B Paula wrote a memo about the inefficient _____ of the staff scheduling.

3 bank manager / relationship

A Phil's years of experience made him an excellent _____.

B The new employee hoped to develop a good _____ with customers.

Listening

Listen to a conversation between a bank manager and an assistant. Mark the following statements as true (T) or false (F).

1. The vacation policy is a topic at the meeting. _____
2. the assistant misplaced the policy notes. _____
3. Julian submitted a summary to the bank manager. _____

Listen again and complete the conversation.

Bank Manager: Ms. Solano, do I have any appointments this morning?

Assistant: You have a meeting with the department managers at 9.45, Mr. Olson. 1 _____ several appointments with clients this afternoon.

Bank Manager: I don't remember any meeting 2 _____. What's it about?

Assistant: First, you need to 3 _____ the new employee vacation policy. I have a copy of the policy notes, if you need them.

Bank Manager: Yes, please bring them. I must have misplaced mine. What else is 4 _____ for the meeting?

Assistant: Then there is Julian from New Accounts department. He wants to share his goals for starting 5 _____ with new customers.

Bank Manager: Please ask Julian to submit a summary to me 6 _____.
_____.

Speaking

With a partner, act out the roles below.

Student A: You are a bank manager. Talk to Student B about:
your schedule

necessary paperwork

an upcoming meeting

Student B: You are an assistant. Talk to Student A about an upcoming meeting.

1.3 ACCOUNTANT

Get ready!

Before you read the passage, talk about these questions.

What tasks do accountants do in an office?

What is the importance of accurate accounting?

Reading

Read the online classifieds page. Then, fill in the blanks with the correct words and phrases from the word bank.

Classifieds > Jobs > Accountant

009108 Experienced accountant needed for a food delivery company. Responsibilities include making **cash disbursements** to vendors and ensuring appropriate levels of **inventory**. An ideal candidate will understand strategies for **procurement**. The job also involves **reporting** on **cash collections** and carefully tracking purchases made **on credit**.

009109 Calling all accountants! Professional Security Inc. is hiring **payroll** specialists to join our growing team. Accountants will prepare detailed **stubs** for employees, including information about **gross wages**. Duties also include generating reports on **total wages** and processing **deposits** into employees' **checking accounts**. Come see if PSI is the place for you!

009110 Quail Village Municipal Services seeks accountant qualified in **property accounting**. You will be responsible for analyzing and approving the city's property purchases, You will also monitor the status of city **equipment** and prepare **purchase orders** for new equipment as needed.

on credit inventory property equipment direct deposits

A food delivery company needs an accountant for cash disbursements and maintaining 1_____. The position includes tracking orders purchased 2_____. Professional Security Inc. is looking for payroll accountants. They will prepare reports on wages and handle 3 _____. Quail Village Municipal Services wants someone experienced in 4_____ accounting. This accountant will approve purchases and create purchase orders for 5_____.

Vocabulary

Match the words (1-7) with the definitions (A-G).

- | | |
|---------------------|---|
| 1 stub | A acquiring goods at the best value |
| 2 payroll | B a list of employees and wages |
| 3 on credit | C taking something and agreeing to pay later |
| 4 inventory | D a piece of paper with paycheck details |
| 5 procurement | E payment made to meet previous obligations |
| 6 cash collections | F total amount of money received in a month |
| 7 cash disbursement | G a company's total supply of something |

Write a word that is similar in meaning to the underlined part.

1. The total salary paid decreased when the company employed fewer people.

t _ t _ _ _ a g _ _

2. The university hired an accountant to handle management of the value of land and equipment,

_ _ o p _ _ y _ c c _ _ _ t _ _ g

3. Raymond submitted a document requesting that a company make a purchase for extra office supplies.

_ _ _ c h _ s _ _ r d _ _

4. Wages before deduction of expenses are greater than what employees take home.

g _ _ s s _ a g _ _

5. Most people hold an account that allows holders to remove money by check or debit card.

_ _ _ c k _ _ g _ c _ _ u n _

Listening

Listen to a conversation between an accountant and an employer. Mark the following statements as true (T) or false (F).

1. The man has previous payroll experience. _____
2. The man created reports on cash disbursements. _____
3. The woman needs an accountant to manage purchase orders. _____

Listen again and complete the conversation.

Accountant: Thank you for meeting with me. I'm 1 _____ about this job opportunity.

Employer: Well, I'm looking forward to learning more about you. Mr. Armstrong. 2 _____ accounting experience do you have?

Accountant: I spent four years in the payroll department at my previous job.

Employer: And what did you do there?

Accountant: I analyzed employment trends and prepared reports on 3 _____.

Employer: How did the company use that data?

Accountant: They used my reports to determine if hiring practices were 4 _____ the budget.

Employer: That's good. We really need someone with that kind of experience 5 _____ . What else have you done?

Accountant: When 6 _____ in accounting, I managed cash disbursements and purchase orders for a small retail company.

Speaking

With a partner, act out the roles below.

Student A: You are an employer. Talk to

Student B about:

- previous jobs
- accounting duties
- your company's accounting needs

Student B: You are interviewing for a position. Answer Student A's questions.

Writing

Use the conversation to fill out the employer's notes.

EMPLOYER'S NOTES

Applicant name: _____

Position applying for: _____

Previous experience: _____

Responsibilities: _____

1.4 TAX CONSULTANT

Get ready!

Before you read the passage, talk about these questions.

How do people feel about taxes in your country?

What are some common tax problems people have in your country?

Reading

Read the job posting. Then, mark the following statements as true (T) or false (F).

Tax Consultant

Main Street Financial Services is seeking applicants for the position of **tax consultant**. Tax consultants at Main Street are not just **tax preparers**. Our consultants are up-to-date on the latest changes to the tax laws. They know how to find **deductions** that give our clients the biggest **refunds**.

Most importantly, a Main Street tax consultant must be a guide, teacher and counselor for our clients. Here at Main Street, we listen and learn about our clients' lives and their financial **circumstances**. Our clients will bring us their problems: **back taxes, tax debt, tax returns** they **filed** incorrectly. Whatever the tax issue, we **assist** a client until it is resolved. We not only provide support during **audits** but also **advice** to avoid future problems. Applicants must have at least 5 years' experience in tax preparation or consulting. If you would like to join a great team, send a resume and cover letter to a.mevers@mainstreetfinances.com.

1. The company needs help reviewing its tax return. _____
2. The company helps people during audits. _____
3. The company wants a consultant who has a minimum of five years of experience. _____

Vocabulary

Match the words (1-7) with the definitions (A-G).

- | | |
|------------------|--|
| 1 tax consultant | A an inspection of financial records |
| 2 deduction | B a person who helps people organize their |
| 3 circumstances | C a form that states how much taxes they have paid or owe |
| 4 audit | D an expense that reduces a person's taxes |

- | | |
|--------------|--|
| 6 tax return | E unpaid taxes from years before |
| 7 advice | F the general conditions of something |
| 8 back taxes | G help or guidance |

Fill in the blanks with the correct words and phrases from the word bank.

- file assist tax debt refund tax preparer taxes**
1. Carl did not pay his _____ last **year** and now he owes the government money.
 2. Hire a _____ to avoid errors on **your** return.
 3. I need someone to _____ me with my tax return.
 4. Failure to complete a return can lead to **a large** _____.
 5. The man deposited his _____ in **the bank**.
 6. You must _____ your return by the 22nd.

Listening

Listen to a conversation between a tax consultant and a client. Choose the correct answers.

1. Why is the man at the office?
 - A** to get advice about an audit
 - B** to ask for help with a tax return
 - C** to check if his return was filed
 - D** to review past tax returns
2. What is true of the man?
 - A** He is expecting a large return.
 - B** He used a tax preparer last year.
 - C** He cannot afford the consultant's rate.
 - D** He did not pay his taxes a few years ago.

Listen again and complete the conversation.

- Client:** Well. I didn't pay my taxes a few years ago. So I have a big 1 _____.
- Consultant:** Okay, that's important to know. Now did you pay your taxes last year?
- Client:** Yes. But I didn't use a 2 _____. I think I made a lot of mistakes.
- Consultant:** Don't worry. That's something we can fix. 3 _____ I should know?
- Client:** Not that I can think of 4 _____. **I'll** get an audit?
- Consultant:** It's possible. But 5 _____ your past returns before I know.
- Client:** Great. I just have one last question. How much will this cost?
- Consultant:** 6 _____. **I** charge by the hour.

Speaking

With a partner, act out the roles below.

Student A: You are a tax consultant. Talk to Student B about his or her financial circumstances

last year's taxes

tax problems

Student B: You are visiting a tax consultant. Answer Student A's questions.

Writing

Use the conversation to fill out the form at a tax consultant's office.

TAX CONSULTANT FORM

Client Name: _____

Reason for visit: _____

Current Financial Circumstances: _____

Did you pay taxes last year? _____

Have you used a consultant or preparer before? _____

List any tax problems: _____

1.5 FINANCIAL ADVISOR

Get ready!

Before you read the passage, talk about these questions.

1. What questions should financial advisors ask their clients?
2. What are the most popular types of investments in your country?

Reading

Read the web page. Then, mark the following statements as true (T) or false (F).

Acme Advisors

keeps your best interests at heart!

In today's unstable financial climate, it's hard to feel secure. Choosing a **financial advisor** is a tough decision. There are a lot of investment firms out there. Not all of them are concerned about your **best interests**.

Acme Advisors helps folks invest safely. **Finance planning** is our only business. We spend time with you to learn about your goals and dreams. We provide a **risk assessment** to find the strengths and weaknesses of your finances and your portfolio. We create an **investor profile** based on your comfort level with risk. Once we fully understand your needs we recommend **asset allocations** (stocks, bonds, **insurance products**) that provide steady growth. Most importantly, we help you find peace of mind.

Acme Advisors NEVER charges **commissions**. We are **fee-only** advisors. No commissions means no **conflicts of interest**. We charge by the hour and you pay us directly. Acme Advisors keeps your best interests at heart.

1. Acme Advisors sells only insurance products. _____
2. Advisors in the company are paid according to how many sales they make. _____
3. Acme Advisors creates an investor profile for each customer. _____

Vocabulary

Read the sentence pair. Choose where the words best fit the blanks.

1 risk assessment / investor profile

A A summary of a client's investments and investing style is a (n) _____.

B _____ tests how willing a client is to lose money.

2 financial planning / insurance product

A _____ helps people raise money for retirement.

B People purchase a(n) _____ protect themselves against losses.

Fill in the blanks with the correct words and phrases from the word bank.

asset allocation **conflict of interest** **fee-only** **commission**
best interests **financial advisor**

1. John asked his _____ for investment recommendations.

2. Mary earns a(n) _____ when she advises her client.

3. A good financial planner works in his client's _____.

4. A(n) _____ financial advisor charges by the hour.

5. Dividing money between stocks and bonds is called _____.

6. A professional that allows personal interests to affect professional decisions has a _____.

Listen and read the web page again. What is the purpose of conducting a risk assessment?

Listening

Listen to a conversation between a broker and a client. Mark the following statements as true (T) or false (F).

1. The woman feels that her investments are secure. _____

2. Risk assessment can prevent market crashes. _____

3. The woman has only invested money in stocks. _____

Listen again and complete the conversation.

Advisor: Well, why don't you **1** _____ your money is invested?

Investor: I have some stock and **2** _____.

Advisor: Got it. We can look at those **3** _____ later. Now, what's your biggest concern?

Investor: **4** _____, I'm afraid of losing my money.

Advisor: I can start with a **5** _____ to see what types of stocks you should avoid.

Investor: Okay. So, is buying stocks **6** _____ way to

invest?
Advisor: Usually they are. But it's a good idea to divide your money between stocks, bonds and insurance products. Asset allocation protects your money if the market goes down.

Speaking

With a partner, act out the roles below.

Student A: You are a financial advisor. Talk to Student B about:

- concerns
- safe investments
- risk assessment.

Student B: You are a financial advisor's client. Talk to Student A about your investments.

Writing

Use the conversation to fill out the financial advisor's notes.

MEETING NOTES

Advisor: _____

Client: _____

Client's Concerns: _____

Current Investments: _____

Recommendations: _____

1.6 STOCK BROKERS

Get ready!

1. Before you read the passage, talk about these questions.

1. Do most people in your country use stock traders or trade stocks online?
2. Who do people turn to for advice on the stock market?

Reading

Read the stock brokerage web page. Then, choose the correct answers.

Net Worth Stock Brokerage

Have you been thinking about investing in the **stock market**? Trading stocks and bonds can be very confusing. Net Worth Stock **Brokerage** is here to help. Other firms have **sales agents** who provide limited **services**. We offer an array of financial services to match a **client's** style of investing. What's yours?

You are nervous or new to investing - You may want **discretionary dealing**.

Based on your financial goals, your personal **stock broker** makes investment decisions **on your behalf**.

You like to make your own decisions, but need advice - You may want **advisory dealing**. Your personal broker will **advise** you on investments and provide recommendations. You make the final decision on when, where and how your money is invested.

*You understand the **stock exchange** and know where and how to invest your money-* You may want **execute- only** services. Your personal broker will only **carry out** your orders to buy or sell on national and international stock **exchanges**.

1. What is the purpose of the website?
A to compare stocks and bonds
B to list brokers' qualifications
C to describe a business's services
D to give advice on investments
2. Which is NOT a service offered on the website?
A advisory dealing
B investment classes
C discretionary dealing
D execute-only services
3. What service does an execute-only broker provide?
A giving advice to clients
B carrying out clients' orders
C making decisions for clients
D suggesting stocks to clients

Vocabulary

Match the words (1-5) with the definitions (A-E).

- | | |
|-------------------|---|
| 1 client | A a place where stocks are bought and sold |
| 2 exchange | B to serve as someone's representative |
| 3 service | C someone who buys goods and services |
| 4 advise | D an action that a professional is paid to do for a client |
| 5 on one's behalf | E to guide or give information needed to make – decision |

Fill in the blanks with the correct words and phrases from the word bank.

exchange carry out execution-only services advise

1. A broker provides _____ to his client.
2. Stocks are sold on the _____.
3. Larry chooses his own stocks, so he hired a(n) _____ broker.
4. Some brokers just _____ clients' orders while others help make decisions.
5. John didn't know what to invest in, so he asked a broker to _____ him.

Listening

Listen to a conversation between two brokers. Mark the following statements as true (T) or false (F).

1. Most of the man's new clients want execution-only services. _____

2. Both brokers prefer to give discretionary dealing services. _____
3. The man is going to meet with his manager. _____

Listen again and complete the conversation.

Broker 2: It is, thanks. I've got two new companies and several individuals.

Broker 1: Good for you. So, what kind of 1 _____ ?

Broker 2: It varies. But most of them want 2 _____.

Broker 1: That's the most interesting type of client, 3 _____ ? A lot of mine want execution-only.

Broker 2: I've been there. I 4 _____ to just carry out clients' orders. I want to help them learn about the exchange.

Broker 1: 5 _____ ! I'd rather advise my clients on how to manage their money and make it grow.

Broker 2: Well, I should 6 _____. I have to meet with one of the new clients.

Speaking

With a partner, act out the roles below.

Student A: You are a stock broker. Talk to Student B about:

new clients

favorite services

least favorite services

Student B: You are a stock broker. Ask Student A about clients.

1.7 TRADER

Get ready!

Before you read the passage, talk about these questions.

1. What are the benefits of being a trader?
2. What are the stresses and demands of being a trader?

Reading

Read the article in a business journal. Then, mark the following statements as true (T) or false (F).

The Life of A Trader

William Remmy is a **stock trader**. He's employed by Graystone Investments, a very successful **investment firm**. Like many traders, William earns a significant **salary** with potential for a large annual **bonus** that **is** determined by the profit he brings in. For that reason, people are often jealous of traders Like Mr. Remmy. After all, it seems like a lot of money in exchange for easy work. But being a well-paid trader is harder than it appears to be. That's because working for wealthy firms and individuals isn't like being a casual **day trader**.

William is always busy **monitoring** the stock market and studying trends. But that's not all. He must know what is going on in the **capital, derivatives** and **currency**

markets as well. He has to be available to his **portfolio manager** at any hour of the day and ready to follow his **directions** at a moment's notice. And if he makes a purchase or sale at the wrong **price**, he might lose millions. So there absolutely is a financial reward to being a trader. But the job comes with stress, demands and requires special knowledge. And that makes a successful high-stakes trader worth every penny for investment firms.

1. Mr. Remmy's bonus is determined by the number of trades he makes. _____
2. Mr. Remmy is a portfolio manager. _____
3. Traders monitor four types of markets. _____

Vocabulary

Match the words (1-8) with the definitions (A-H).

- | | |
|-------------------|--|
| 1 monitor | A a place to buy and sell foreign money |
| 2 investment firm | B money given to an employee in addition to regular |
| 3 currency market | payment |
| 4 day trader | C a person who buys and sells stock, but not professionally |
| 5 salary | D to observe something |
| 6 price | E the regular payment one receives for work |
| 7 direction | F an instruction |
| 8 bonus | G the amount of money that something cost |
| | H a company that invests money for clients |

Write a word which is similar in meaning to the underlined part.

1. The market for trading securities is very complex.
c _ _ i _ a _ m _ _ _ e _
2. Leave trades on the value placed on other financial assets to the professionals.
_ e _ v _ i _ s _ _ r _ e _
3. A good investment controller earns millions for firms.
_ o _ t _ _ l _ _ m _ _ a _ e _
4. People who buy and sell stocks have a lot of responsibility.
s _ _ k _ _ r _ _ e _ _

Listening

Listen to a conversation between a reporter and a trader. Choose the correct answers.

1. What is the conversation mainly about?
 - A** the benefits of being a trader
 - B** misconceptions about being a trader
 - C** how competitive traders are
 - D** similarities between day traders and professional traders
2. What does the man say about day traders?
 - A** They must have a license.
 - B** They lose more than they earn.

- C They make money for their clients.
- D They work harder than people realize

Listen again and complete the conversation.

Reporter: First, how do you become a 1 _____ ?
Trader: Well, to be a professional, you have to go to school and 2 _____ first.
Reporter: I didn't know that.
Trader: Trader; Most people don't. That's because a lot of day traders buy and sell stock from home 3 _____ training.
Reporter: So, if day traders can do the same work you do, is the education necessary?
Trader: Well, there's a big 4 _____ professional traders and day traders.
Reporter: Could you 5 _____ ?
Trader: 6 _____, day traders don't make much money. In fact, they usually lose more than they make.

Speaking

With a partner, act out the roles below.

Student A: You are a reporter. Ask Student B about:

becoming a trader

day traders

misconceptions

Student B: You are a trader, Answer Student A s questions about your job.

Writing

Use the conversation to fill out the reporter's notes.

INTERVIEW NOTES

Trader Name: _____

Becoming a trader: _____

Opinion of day traders: _____

Misconceptions: _____

UNIT 2 OFFICE WORK

2.1. OFFICE MATERIALS

Get Ready!

Before You read the passage, talk about these questions.

- 1 What supplies do offices need?
- 2 How much do office supplies cost?

Reading

Read the Invoice from an office supply company. Then, mark the following statements as true (T) or false (F).

- 1 _ One bulletin board costs more than one stapler.
- 2 _ The customer is required to pay a ten-percent tax.
- 3 _ The customer will pick up the order in person.

Mega
OFFICE SUPPLY

invoice
626 521 732-4

Bill to:		Equity Accountants 4545 Oak Street Kensington, PA 990765			Invoice #	626
					Invoice Date:	2010.11.2
					Customer ID:	EA1
Date	Your Order #	Our Order #	Sales Rep	Ship Via	Terms	Tax ID
2010.10.30	626	100967.626	DF	Ultimate Transit	2/10 n30	22988746
Quantity	Description				Unit Price	Total
500	Paper Clips				\$0.02	\$10.0
20	Stapler				\$15.00	\$300.0
30	Desk Lamp				\$25.00	\$750.0
4	Bulletin Board				\$10.00	\$40.0
10	File Cabinet				\$99.00	\$990.0
5	White Board				\$12.00	\$60.0
10	Dry Eraser				\$3.00	\$30.0
250	Binder				\$1.00	\$250.0
50	Note Pad				\$2.00	\$100.0
10	Cubicle Divider				\$120.00	\$1200.0
Mega-Office Supply provides superior products and customer service. Please let us know immediately if you are not completely satisfied with your order.					Subtotal	\$3730.0
					Tax (10%)	\$373.0
					Shipping	\$150.0
					Balance Due	\$4253.0

Vocabulary

Match the words (1-6) with the definitions (A-F).

- 1 note pad
- 2 desk lamp
- 3 paper clip
- 4 cubicle divider
- 5 binder
- 6 bulletin board

- A a small object that holds papers together
- B a book of blank paper used for writing
- C thin barriers that divide office space
- D a device that illuminates a work space
- E a wall panel that people post messages on
- F a notebook with rings or clamps to hold paper

Read the sentence pair. Choose where the words best fit the blanks.

- 1 file cabinet / white board
Update the records, then put them in the ____ _
Start the meeting by writing your name on the ____ _
- 2 stapler / dry eraser
She used the ____ to clear the white board.
The papers fell apart. My ____ must be broken.

Listen and read the invoice again. What is the cost of two staplers, ten note pads, fifty binders and a desk lamp, plus tax?

Listening

Listen to a conversation between a bookkeeper and a customer service representative. Choose the correct answers.

- 1 What is the dialogue mostly about?
A placing an order C an order error
B broken merchandise D shipping times
- 2 What will the man likely do next?
A give the woman a refund
B ask for more information
C ask the woman to return the lamps
D complete the woman's order

Listen again and complete the conversation.

Representative: Mega-Office Supply. How may I help you?

Bookkeeper: Hi. This is Stacy from Equity Accountants. There's a problem with 1 ____ #626.

Representative: Sorry to 2 ____ that. What's the problem?

Bookkeeper: You 3 ____ thirteen desk lamps; but we ordered thirty.

Representative: I'm sorry, I didn't quite 4 ____ that. What did you say?

Bookkeeper: I said we 5 ____ thirteen desk lamps; but we ordered thirty.

Representative: I see. Well, I 6 ____ for the error. We'll ship the rest today.

Bookkeeper: Thank you!

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

There's a problem with ...

You sent ... but we ordered ...

I apologize for the error. We'll ...

Student A: You are calling an office supply company. Talk to Student B about:

- an error
- what you ordered
- what you received

Student B: You work at an office supply company. Answer Student A's questions.

Writing

Use the conversation to complete the packing slip.

Mega
OFFICE SUPPLY

Original order: _____

Units shipped: _____

Number of missing units: _____

Please accept our apology for our error
on your last order.

Thank you for your patience.

Sincerely,

President, Mega-Office Supply

2.2 ELECTRONIC TOOLS

Get Ready!

Before you read the passage, talk about these questions.

- 1 What electronic devices do accountants use?
- 2 What do they use them for?

Reading

Read the proposal from a consulting company. Then, choose the correct answers.

- 1 What is the passage mainly about?
A delivering office supplies
B replacing broken equipment
C requesting newer equipment
D suggesting electronic equipment
- 2 Which of the following may be delivered late?
A a calculator C a copier
B flash drives D a fax machine

- 3 What can be inferred about Mr. Wenton?
- A He has written many business plans.
 - B He already has a desktop computer.
 - C He will not talk to the supply company personally.
 - D He worked with the consulting company in the past.

Mr. Wenton

We reviewed your business plan. Your ideas are very realistic. We are happy to help you start your company. Here is a list of electronic devices that you need:

- Laptop Computer • Copier
- Desktop Computer with floppy drive and CD-ROM
- Fax machine • Calculator drive • Landline telephone • Flash drives
- Mobile telephone • Printer • Desk lamps

Mega-Office Supply sells these items. They offer free delivery in town. With your permission, we can place the order. Delivery takes one week on most items. The computers, printer, and copier may take longer.

Cordially,

Timothy Johnson and Rebecca Meyers Johnson-Meyers Consulting, LLC

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ laptop computer
- 2 _ floppy drive
- 3 _ landline telephone
- 4 _ calculator
- 5 _ printer

- A a machine that converts computer documents into paper documents
- B a portable electronic device that performs various tasks
- C a device that is only used for mathematical operations
- D an old data storage device that few people use
- E a device used to talk to people over long distances

Fill in the blanks with the correct words and phrases from the word bank.

***desktop computer flash drives copier mobile telephone
fax machine***

- 1 Jack needs a ____ to access the Internet from his office.
- 2 ____ are the most convenient storage devices.
- 3 Paula heard her ____ ringing in her pocket.
- 4 George can't duplicate documents because his ____ broke.
- 5 A ____ is the most efficient way to scan and send documents.

Listen and read the proposal again. What do the advisers think about Mr Wenton's plans?

Listening

Listen to a conversation between an accountant and a consultant. Mark the following statements as true (T) or false (F).

- 1 _ The man thinks no one uses floppy drives.
- 2 _ The woman doesn't recommend CD-ROM drives.
- 3 _ The man accepts all of the woman's recommendations

Listen again and complete the conversation.

Accountant: Thanks for the 1 _____. They all look good except for one.

Consultant: 2 _____ one is that?

Accountant: It's the floppy drive. 3 _____ why do I need a floppy drive?

Consultant: Well, some of your 4 _____ might have computers that use them.

Accountant: Hmm ... I don't know 5 _____ that still uses those.

Consultant: OK. You could just 6 _____ a CD-ROM drive.

Accountant: I think most people use flash drives.

Consultant: That's true, but some people still use CD-ROMs.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Thanks for the recommendations.

They look good except ...

You could just use ...

Student A: You are starting a business. Talk to Student B about:

- necessary equipment
- common devices

Student B: You are a consultant. Answer Student A's questions.

Writing

Use the proposal and the conversation to complete the order.



Mega
OFFICE SUPPLY

ORDER FOR DELIVERY

One _____

One desktop computer with a _____ drive

One _____

One _____ machine

One _____ phone

One _____

2.3 THE BACK OFFICE

Get ready!

Before you read the passage, talk about these questions

- 1 What jobs get done in the back office?
- 2 What are some common accounting tasks?

Reading

Read the article in business journal. Then, choose the correct answers

- 1 What is the passage mainly about? ·
 - A periodic cash disbursements
 - B informative financial reports
 - C routine accounting procedures
 - D common back office maintenance
- 2 - show year-to-date earnings and taxes ·
 - A Pay stubs
 - B Purchase orders
 - C Cash collections
 - D Checking accounts
- 3 Who does NOT work in the back office?
 - A clerks
 - B bookkeepers
 - C accountants
 - D receptionists

What's Going On in the Back Office?

The Back office – Accounting

For many people, the back office is a mystery. Data goes in, and informative financial reports come out. But mysterious as it seems, the back office is vital to any business.

What happens in the back office?

The back office is home to clerks, bookkeepers, and accountants. Here is a list of some of the most important accounting tasks.

Payroll

Accountants calculate **salaries** and **total wages** for every employee. These are called **gross earning** or **gross wages**. The accountants also prepare **pay stubs** for each pay period showing the employees their year-to-date earnings and taxes.

Cash collections

Accountants record cash that the company receives and manage the company's **checking accounts**

Cash disbursements

Payroll checks are not the only check that accountants write. They all handle all other cash disbursement.

Procurement

Accountants keep track of company's inventory. They record **purchase orders** and make they have been filled.

Vocabulary

Match the words (1-5) with the definitions (A-E).

1 _salary

2 _procurement

3 _purchase order

4 _pay stub

A a fixed annual amount of pay

B the act of gathering supplies or inventory

C a document showing an employee's pay and t taxes

D a document showing what someone wants to buy

Read the sentence pairs. Choose where the words best fit in the blanks.

1 *gross wages / procurement*

To find ____ multiply hours by rate of pay.

Have the ____ people check for shipment errors.

2 *gross earnings / cash collections*

The manager's salary before taxes is called ____ _

Payments should be directed to the ____ accountant.

3 *checking account / total wages*

____ are the sum of an employee's hourly pay.

Employees are paid from the company's ____ _

Listen and read the article again. What tasks do payroll accountants carry out?

Listening

Listen to a conversation between two accountants. Mark the following statements as true (T) or false (F).

1 _ The company's back office is divided into departments.

2 _ The man wants to work in payroll.

3 _ New employees work in all departments.

Listen again and complete the conversation.

Accountant 2: Hi, Jason! 1 _____. Let me show you around.

Accountant 1: Great. I'm really excited to be here.

Accountant 2: Well, we're happy 2 _____. Now, our back office is divided into different

3 _____

Accountant 1: OK. Which one do you work in?

Accountant 2: Well, I 4 in payroll, but I 5 _____ the other departments.

Accountant 1: I would love to work in payroll. That was 6 _____ accounting task in school.

Accountant 2: Well that's possible. We like to place people where they're comfortable.

Accountant 1: Where do new hires usually start?

Accountant 2: Well, actually, we train them in all departments.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Welcome aboard.

Which one do you work in?

I usually ... but I sometimes ...

Student A: It's your first day as an accountant. Talk to Student B about:

- the departments
- your favorite task
- training

Student B: You are a senior accountant. Answer Student A's questions.

Writing

Use the conversation from to complete the welcome letter.

To Our New Employee
Welcome!

We want to take this opportunity to tell you about your new job.

The Back Office

The Accounting Departments

Our Training Procedures

2.4 COMMUNICATING WITH CLIENTS

Get ready!

Before you read the passage, talk about these questions.

- 1 What are some of the new forms of communication in the 21st century?
- 2 How can accountants use modern technology to communicate with their clients?

Reading

Read this accounting biog. Then, mark the following statements as true (T) or false (F).

- 1 _ Text messaging allows for various tonal cues.
- 2 _ Email gives people time to think about messages.
- 3 _ The only way to use non-verbal cues is to meet in-person.

There used to be only two ways that accountants could communicate with their clients: telephone calls and face-to-face meetings. Lucky for us, today's technology

offers a few more options. But you must consider your clients' needs and preferences when deciding how to stay **in touch** with them.

Each mode of communication has certain advantages.

Email

- **Reflection** – Email allows you and your client to read, reread and reflect on each other's letters.
- **Record** – Emails provide an automatic record of your correspondents.

Text Message

- **Convenience** – Most people have cell phones with text capabilities.
- **Record** – Like emails, text messages provide an instant record.

Telephone

- **Verbal Cues** - Verbal communication uses **linguistic cues** that are generally absent from written communication, such as **vernacular** and **slang**.
- **Tonal Cues** - Spoken language is often inflected in ways that are impossible with written language. For example, questions are indicated with a rising tone at the end of a sentence.
- **Instant Clarification** - With text messages or email, you and your client may have to wait for replies. With a telephone, questions, answers, and comments are exchanged instantly.

In-person

- **Non-verbal Cues** – Facial expression, hand gestures, and other forms of body language all convey messages.
- **Instant Clarification**

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ stay in touch
- 2 _ reflection
- 3 _ convenience
- 4 _ tonal cues
- 5 _ vernacular

A the act of thinking about something

B to regularly communicate

C common, everyday language

D the quality of being easy to use or requiring little effort

E signals sent by raising and lowering vocal pitch

Read the sentence pairs. Choose where the words best fit in the blanks.

- 1 body language / linguistic cues

Only by speaking can people make use of _____
_____ only works if people can see each other.

- 2 slang / instant clarification

Bean counter is a(n) _____ term for "accountant."

Lynn only talks by telephone so that there is _____

- 3 verbal cues / non-verbal cues
_____ include things like facial expressions.
_____ are signals that are sent through language.

Listen and read the blog again. What do emails and texts offer that other forms of communication do not?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

- 1 What is the dialogue mostly about?
A communicating with a troublesome client
B lowering telephone and internet expenses
C teaching a client new communication tools
D modernizing the office's communication systems
- 2 What is true about the man's client?
A He has a busy schedule.
B He does not have a cell phone.
C He comes to the office uninvited.
D He has poor communication skills.

Listen again and complete the conversation.

Accountant 1: Wow! 1 _____

Accountant 2: What's wrong?

Accountant 1: I'm getting 2 _____ with this new client.

Accountant 2: What did he do?

Accountant 1: He only 3 _____ in-person.

Accountant 2: OK. I do that with a lot of my clients. What's the problem?

Accountant 1: The problem is that 4 _____, and I don't have time to meet with him 5 _____

Accountant 2: Why don't you try 6 _____ ?

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

I'm getting a little frustrated with ...

He only likes to communicate ...

Why don't you try ... ?

Student A: You are an accountant. Talk to Student B about:

- a client's communication preference

- using other forms of Communication

Student B: You are an accountant. Answer Student A's questions.

Writing

You are an accountant. Use the blog and the conversation to write a brief email to a client describing several ways that the client may stay in touch with you. Talk about:

- your busy schedule
- email
- telephone
- text messaging

UNIT 3 BOOKKEEPING

3.1 BOOKKEEPING CYCLE

Get Ready!

Before you read the passage, talk about these questions.

- 1 What are the basic tasks in bookkeeping?
- 2 What are some of the documents that they use?

Reading

Read the entry on a bookkeeper's biog. Then, choose the correct answers.

- 1 What is the passage mainly about?
A end-of-period procedures
B minimizing financial effects
C steps in the bookkeeping cycle
D how to gather source documents
- 2 According to the passage, which is NOT a source document?
A credit card statement
B purchase invoice
C accounting software
D payroll master files
- 3 What is true according to the passage?
A Every organization follows a different bookkeeping cycle.
B Financial effects are recorded in two different places.
C Adjusted trial balances carry over to the next fiscal year.
D Accounting software creates most source documents.

Getting back to basics

Let's review the basic bookkeeping cycle. No matter what type of organization you work in, there are six steps:

1. Gather **source documents** for all **transactions**. These include:
 - Purchase invoice
 - Payroll master files
 - Time cards
 - Credit card statements
2. Analyze .the financial effect of every transactions. The typical transaction include:
 - Payroll**
 - Sales
 - Purchases
3. Record financial effects in a journal. Then post them in the **accounting software**.
4. Perform **end-of-period procedures**:
 - Count inventory .
 - Cheek for errors in classification
 - Adjust for errors
5. Prepare an **adjusted trial balance**.
6. Close the book at the end of every **fiscal year**

Vocabulary

Match the words (1-6) with the definitions (A-F).

- 1 _ source documents
- 2 _ transaction
- 3 _ credit card slip
- 4 _ purchase invoice
- 5 _ payroll master file
- 6 _ accounting software

A a purchase, sale, or payment

B a receipt for a credit card purchase

C a file containing employee's salary information

D a document requesting payment for a purchase

E a computer program that organizes financial data

F documents from various financial transactions

Fill in the blanks with the correct words and phrases from the word bank.

***time card adjusted trial balance fiscal year payroll end-of-period
procedures***

- 1 Jack made a few errors while preparing the ____ _
- 2 In Canada, the ____ goes from April to March.
- 3 Perform ____ before opening books for the new period.
- 4 ____ is one of the most predictable business expenses.
- 5 Tim didn't clock in, so his ____ is short eight hours.

Listen and read the bookkeeper's biog again. At which step are classification mistakes corrected?

Listening

Listen to a conversation between a junior accountant and a senior accountant. Mark the following statements as true (T) or false (F).

- 1 _ The man maintains the accounting software.
- 2 _ The woman will not collect the source documents.
- 3 _ The department managers supply source documents weekly.

Listen again and complete the conversation.

Accountant 1: Do you have a 1 _____ Mr. Smith?

Accountant 2: Certainly, Nancy. What can I help you with?

Accountant 1: One question - how do I collect the 2 _____ ?

Accountant 2: Actually, you don't collect them.

Accountant 1: Really? How do I 3 _____ ?

Accountant 2: The 4 _____ managers give them to you at the end of every month.

Accountant 1: Ah, I see. And then I just 5 _____ the data in the accounting software?

Accountant 2: That's right. 6 _____ the data from the source documents in the accounting software.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Do you have a moment?

How do I ... ?

The ... give them to you at the end of ...

Student A: You are a new accountant. Talk to Student B about:

- gathering documents
- recording data

Student B: You are a senior accountant. Answer Student A's questions.

Writing

Use the conversation from to fill out the accountant's notes.

Duties/Frequency

Department managers

Accountants:

3.2 GAAP AND IASB

Get Ready!

Before you read the passage, talk about these questions.

- 1 What are some rules that accountants have to follow?
- 2 How do accounting rules change in different parts of the world?

Reading

Read the magazine article. Then, mark the following statements as true (T) or false (F).

- 1 _ Europe and the United States have different accounting standards.
- 2 _ The FASB creates standardized rules for the governing bodies.
- 3 _ IASB accounting standards follow a principles-based approach.

Businesses exchange information, therefore companies must have **broad-scale uniformly** in their records. Information must stay **consistent**.

Generally Accepted Accounting Principles (GAAP)

In the USA, the Financial Accounting Standards Board (**FASB**) has a system. It's called Generally Accepted Accounting Principles (GAAP). GAAP is a **rules-based approach**. It creates rules for **disclosure**.

International Accounting Standards Board (IASB)

In Europe, there is another **governing body**. It's called the International Accounting Standards Board (IASB). It uses a **principles-based approach**. It describes general accounting principles. Accountants use these as a guide. It shows them how to record financial transactions and include proper disclosure in financial statements.

Companies can decide which approach to use. Many choose both.

Vocabulary

Write a word that is similar in meaning to the underlined part.

1 The company follows both the FASB and the European body that sets accounting standards. _____

2 FASB is the governing body that establishes American accounting standards.

3 Accounting records must be the same across numerous samples.
_____n _____ s _____t

4 American accounting standards include rules for giving out financial information.
_____i _____c _____s _____

Fill in the blanks with the correct words and phrases from the word bank.

rules-based approach broad-scale uniformity FASS principles-based approach governing bodies

1 GAAP is a _____

2 _____ design accounting standards.

3 Most European companies follow a _____

4 _____ is the organization that makes accounting rules in America.

5 Accounting standards provide _____ among organizations.

Listen and read the article again. Which standard do the majority of companies use?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

1 What is the dialogue mostly about?

A the flexibility of JASS

B advantages of using GAAP

C which accounting standards to use

D businesses in Europe and the USA

2 The accountants use both standards because they

A have clients in Europe and the USA

B want to determine which is better

C don't want to be inconsistent

D have clients that requested it

Listen again and complete the conversation.

Accountant 1: Did you read the 1 _____ this morning?

Accountant 2: You mean the one that says we have to follow both GAAP and JASS?

Accountant 1: Yes. Why do we have to follow both?

Accountant 2: Well, both have 2 _____ and disadvantages.

Accountant 1: Like what?

Accountant 2: GAAP has 3 _____ instructions. But it is restrictive. JASS is 4 _____. But it can be inconsistent.

Accountant 1: Why not just pick one 5 to use?

Accountant 2: Well, we have clients in both the USA and Europe. It's better to use both 6 that they are familiar with.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Did you read the ... ?

Why do we have to ... ?

GAAP has ... But it's also ...

Student A: You are an accountant. Talk to Student B about:

- accounting standards
- advantages of each
- disadvantages of each

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the conversation from to fill out the accountant's notes.

Accounting Standards

	GAAP	IASB
Advantages		
Disadvantages		
Primarily used in		

3.3 DESCRIBING CHANGE

Get Ready!

Before you read the passage, talk about these questions

- 1 What words describe changing amounts?
- 2 What are some of the ways to say something increased or decreased?

Reading

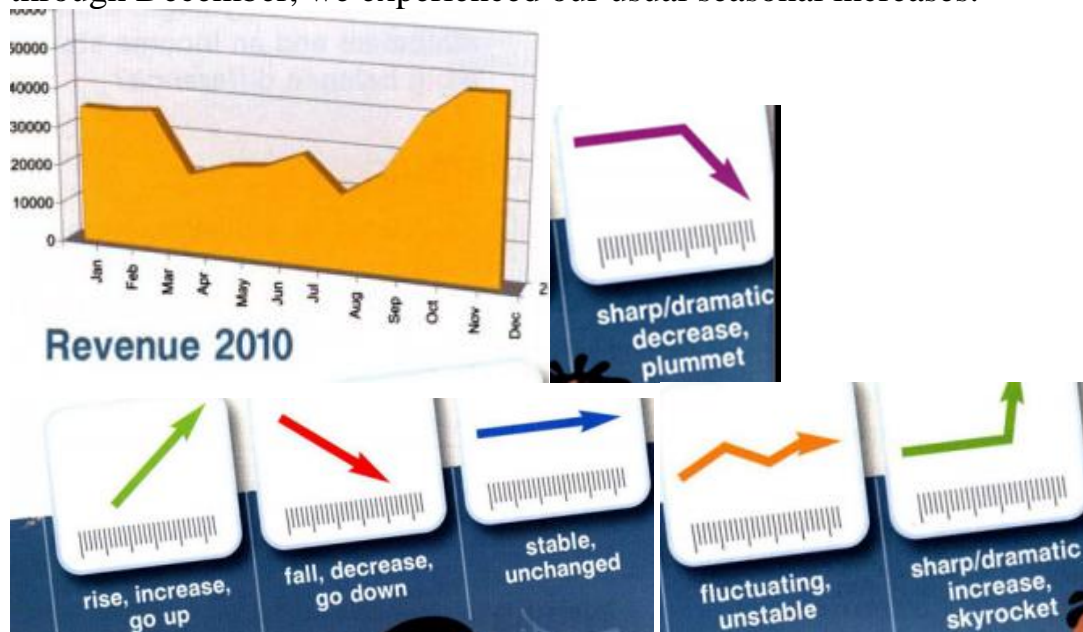
Read the graph and the company's annual report. Then, mark the following statements as true (T) or false (F).

- 1 _ Revenue usually increases during a certain season.
- 2 _ Revenue dropped after a new store opened.
- 3 _ The company's revenue declined from April to June.

GRAND TOY COMPANY

Between January and March, revenue hovered around \$35,000. In April, the cost of goods went up slightly. As a result, we increased prices. This had a negative effect on

sales. In fact, revenue plummeted sharply to \$20,000. From April to June, revenue stabilized and steadily increased. In July, sales dropped dramatically from \$28,000 to just \$19,000. This was the result of a new competitor opening up across town. We recovered quickly in September just before the busy season. This was partly due to a sharp decline in cost of goods. It allowed us to lower our prices. From October through December, we experienced our usual seasonal increases.



Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _steadily
- 2 _ stabilize
- 3 _plummet
- 4 _slightly
- 5 _ dramatically

A to stop changing

B to drop very far quickly

C without much change; consistently

D with great, rapid change

E to change in a small way

Fill in the blanks with the correct words from the word bank.

hovered recovered declined sharply

- 1 The company _____ from its losses.
- 2 Sales _____ and the company went out of business.
- 3 Net income had minimal movement; it ____ at a moderate level.
- 4 Due to a large increase in costs, profits fell _____

Listen and read the annual report again. What enabled the company to drop their prices?

Listening

Listen to a conversation between a manager and an accountant. Choose the correct answers.

- 1 What is the dialogue mostly about?
 - A the effects of competition on setting prices
 - B reasons why the company must decrease prices
 - C the results of the holiday season price increases
 - D the causes of changes in sales revenue throughout the year
- 2 What caused an additional increase in sales revenue?
 - A a decrease in prices
 - B an increase in advertising
 - C an unusually busy holiday season
 - D a competitor going out of business

Listen again and complete the conversation.

Accountant: Here's the sales report, Mr. Porter.

Manager: Ah, yes, thank you. Wow. Sales revenue really 1 _____ in April.

Accountant: Yes, it did. I'm 2 _____ why.

Manager: Well, it was 3 _____ a result of our price increases.

Accountant: That 4 _____. But why did sales increase so much from October to December?

Manager: Well, that's the holiday season.

Accountant: Yes, but I've never seen sales go 5 _____. What else caused it?

Manager: It's probably 6 _____ Mike's Toy Shop going out of business. They were major competition.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Wow. Sales revenue really ...

I'm not sure why.

It's probably due to ...

Student A: You are an accountant. Talk to Student B about:

- rising/falling revenue
- causes

Student B: You are a manager. Answer Student A's questions.

Writing

Use the graph and the conversation to fill out the sales report. Make up a name for the accountant.

2010
 ANNUAL SALES REPORT

Prepared by _____

Between January and March, sales revenue _____

In April, the cost of goods increased _____
 As a result, we increased prices _____
 sales revenue plummeted _____

In July, sales revenue, although previously stabilized,

 This was a result of _____

From October through December, _____

3.4 GLEANING INFORMATION FROM FINANCIAL STATEMENTS

Get Ready!

Before you read the passage, talk about these questions.

- 1 How do accountants use records to determine the health of companies?
- 2 What are some of the ways they interpret financial records?

Reading

Read the email. Then, choose the correct answers.

- 1 What is the passage mainly about?
 - A opportunities for growth
 - B ways to interpret financial records
 - C methods for reducing return on sales
 - D options for increasing return on equity
- 2 Which equation is NOT presented in the email?
 - A Return on Equity
 - B Return on Sales
 - C Return on receivables
 - D Year-Over-Year Growth
- 3 What can be inferred about the company's customers?
 - A They keep detailed records.
 - B Some expect a high return on sales.
 - C They interpret financial information.
 - D Some do not pay for their purchases.



Vocabulary

Match the words (1-5) with the definitions (A-E).

1 _ assess

2 _ factor

3 _ thin

4 _ return on sales

5 _ return on equity

A not having much substance; small in quantity

B net income in comparison to total revenue

C something that has an influence on something else

D net income in comparison to the value of the company

E to test something

Fill in the blanks with the correct words and phrases from the word bank.

interpret year-over-year growth rate uncollectible eat away at

1 The _____ shows that the company is expanding.

2 The company went out of business. Its debts are _____.

3 It's the accountant's job to _____ the financial records.

4 Declining sales will definitely _____ profits.

Listen and read the email again. How is year-over-year growth rate calculated?

Listening

Listen to a conversation between a salesperson and an accountant. Mark the following statements as true (T) or false (F).

1 _ The woman fills out a sales report monthly.

- 2 _ The man thinks paperwork is a waste of time.
 3 _ The woman prefers paperwork over selling.

Listen again and complete the conversation.

Salesperson: Here's my weekly sales report.

Accountant: Wonderful. Thank you.

Salesperson: I'm 1 _____. Why do we have to keep such 2 _____ records?

Accountant: Because they help us 3 _____ the company's health. Why do you ask?

Salesperson: Well, it 4 _____ me down. I'd rather 5 _____ selling than doing paperwork.

Accountant: I know what you mean. It takes time to 6 _____. But it's worth it.

Salesperson: How so?

Accountant: Accurate records help us see if anything is eating away at our profits.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

I'm curious. Why do we ...

Because ... Why do you ask?

I'd rather ... than ...

Student A: You are a salesperson. Talk to Student B about:

- sales reports
- their purpose
- their uses

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the email and the conversation to fill out the financial statement.

2011 FINANCIAL STATEMENT	
Profit 2010	11,750
Profit 2011	13,500
Sales revenue	56,500
Net income (profit)	13,500
Owner's equity	41,000
Return on Sales	
_____ ÷ _____ = _____	
Return on Equity	
_____ ÷ _____ = _____	
Year-Over-Year Growth Rate	
_____ ÷ _____ = _____	

UNIT 4 ACCOUNTING DOCUMENTATION

4.1 INCOME STATEMENTS

Get Ready!

Before you read the passage, talk about these questions.

- 1 What information goes on income statements?
- 2 How do companies use income statements?

Reading

Read the income statement and magazine article. Then, mark the following statements as true (T) or false (F).

- 1 _ "Bottom line" means net income.
- 2 _ Operating margin minus taxes is gross margin.
- 3 _ P & L statements show information from a period of time.

Getting to the Bottom Line

Most people know that the term "bottom line" means "the most important thing. But it's also an accounting term. It refers to the bottom line of an **income statement**. An income statement is also called a **P & L**. That means profit and loss." A P & L statement shows a summary of a company's financial transactions over a period of time.

It starts with **sales revenue**. 'This is the money a company gets from **selling** goods. The cost of those goods is deducted from the revenue. Next the **general and administrative expenses** are deducted. Finally, **taxes** are subtracted.

The number that remains on the bottom line is called **net income**. This amount is the company's bottom line.



	2010	2011
Sales Revenue	700,000	500,000
Less Cost of Goods Sold	500,000	500,000
Gross Margin	200,000	0
Less General and Administrative Expenses	90,000	90,000
Operating Margin	110,000	(90,000)
Less Taxes	7,000	5,000
Net Income	103,000	(95,000)

Vocabulary

Match the words (1-5) with the definitions (A-E).

- | | |
|-------------------|---|
| 1 _ gross margin | 4 _ P & L |
| 2 _ sales revenue | 5 _ general and administrative expenses |
| 3 _ taxes | |

A a statement showing financial information for a certain period

- B money that is paid to a government
- C the costs associated with organizing and running a business
- D an amount that is calculated by subtracting cost of goods sold
- E the money that is received from selling goods or services

Fill in the blanks with the correct words and phrases:

operating margin, income statement, net income, selling.

- 1 Subtract taxes from the _____ to find net income.
- 2 _____ is the act of exchanging goods for money.
- 3 _____ is the amount of money retained after all expenses
- 4 A(n) _____ is a document showing how much money was made.

Listen and read the income statement and article again. What is deducted from sales revenue to show the bottom line?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

- 1 What is the dialogue mostly about?
 - A an increase in sales revenue
 - B a new way to report income
 - C a previous year's bottom line
 - D a disappointing P & L statement
- 2 The company's bottom line dropped because
 - A sales revenue decreased
 - B cost of goods sold increased
 - C the government raised taxes
 - D there was an error in the P & L

Listen again and complete the conversation.

- A 1: Hi, Peter. Would you like some coffee?
- A 2: No thanks. Let's get 1 _____ to business.
- A 1: OK. Have you seen the 2 _____ P & L?
- A 2: No, I haven't. What's the problem?
- A 1: Look at this! Our bottom line has really dropped. Just 3 _____ this to last year.
- A 2: I see. Sales revenue is 4 _____ down. But cost of goods sold is the same.
- A 1: So, what 5 _____ do?
- A 2: Well, first we need to 6 _____ our sales ...

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Let's get right down to business.

What's the problem?

Our ... has really ...

Student A: You are an accountant. Talk to Student B about:

- a P & L statement
- low/high figures
- what to do about it

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the conversation and the income statement to fill out the income statement.



	2010	2011
_____	800,000	600,000
Less _____	500,000	500,000
Gross Margin	300,000	_____
Less General and Administrative Expenses	90,000	90,000
Operating Margin	_____	10,000
Less Taxes	10,000	7,000
_____	200,000	_____

4.2 BALANCE SHEETS

Get ready!

Before you read the passage, talk about these questions.

- 1 What information goes on a balance sheet?
- 2 How do companies use balance sheets?

Reading

Read the balance sheet and magazine article. Then, choose the correct answers.

- 1 What is the passage mainly about?
A tracking accounts payable and debts
B calculating the total value of a company
C explaining the information on a balance sheet
D understanding the effect liabilities have on equity
- 2 Which of the following is NOT an asset?
A land C inventory
B equity D accounts receivable
- 3 What is true according to the passage?
A Equity is what a company owns.
B Cash and inventory are fixed assets.
C Accounts payable are considered debt.

D Total assets equal total liabilities and equity

Income statements show financial information over a period of time. Balance sheets, on the other hand, show a company's financial status at a certain moment in time. Let me show you how to read them. Balance sheets follow this equation:

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

It's that simple. Assets are what a company owns. Liabilities are what a company owes. Equity is what a company is worth.

Assets include **cash, inventory, accounts receivable**, and **fixed assets** like land and property. Liabilities include **accounts payable** and **debts**. Owner's equity is the total value of the company.

The **sum** of the assets should be equal to the sum of the liabilities plus the owner's

As of
July 31st, 2011

Assets		Liabilities	
Cash (bank account)	10,000	Accounts Payable	11,000
Accounts Receivable	15,000	Debts	4,000
Inventory	5,000	Total Liabilities	15,000
Fixed Assets	50,000	Owner's Equity	
Total Assets		Total Equity	65,000
		Total Liabilities and Equity	80,000

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ balance sheet
- 2 _ owner's equity
- 3 _ accounts receivable
- 4 _ asset
- 5 _ liability

A what a company is worth

B something a company owns

C a record of money that is owed to a company for past sales

D an amount of money that a company owes

E a document showing assets, liabilities, and equity

Fill in the blanks with the correct words and phrases from the word bank.

accounts payable fixed assets sum inventory debt

- 1 The company records most purchases in _____.
- 2 Companies with too much _____ can't get loans.
- 3 _____ is getting low. Fill out a new purchase order.
- 4 Add those figures. Then tell me what the _____ is.
- 5 The company has a lot of _____, including a new warehouse.

Listen and read the balance sheet and article again. What is meant by the term fixed assets?

Listening

Listen to a conversation between two accountants. Mark the following statements as true (T) or false (F).

- 1 _ The man suggests taking on more debt.
- 2 _ The company has enough cash to pay its debt.
- 3 _ The woman says there is an error on the balance sheet.

Listen again and complete the conversation.

A 1: 1 _____, but we have a problem.

A 2: What's that?

A 1: I was looking at this month's balance sheet. Our accounts payable shows that we 2 _____ \$15,000.

A 2: Why is that a problem?

A 1: Well, we 3 _____ have \$10,000 in the bank.

A 2: I see. We have to 4 _____ some money to pay the difference.

A 1: Isn't it a 5 _____ to take on more debt?

A 2: No. Our accounts receivable shows \$15,000. We can use that to 6 _____ some debt next month.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Excuse me, but ...

I was looking at our balance sheet ...

We need to ...

Student A: You are an accountant. Talk to Student B about:

- a balance sheet
- low/high figures
- what to do about it

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the conversation to fill out the balance sheet.

Balance Sheet As of August 31st, 2011

Assets	Liabilities
Cash (bank account) _____	Accounts _____
Accounts _____	<u>25,000</u>
Inventory 10,000	Total Liabilities _____
Fixed Assets <u>100,000</u>	Owner's Equity
	Total Equity <u>95,000</u>
Total Assets _____	Total Liabilities and Equity _____

4.3 CASH FLOW STATEMENTS

Get Ready!

Before you read the passage, talk about these questions.

- 1 What is a cash flow statement?
- 2 What are some of the things that go on a cash flow statement?

Where Did All The Cash Go?

R.H. Benton Enterprises, Inc. Cash Flow <i>for Year ending December 31, 2011</i>	Cash flow from Operations	
	Cash generated from sales	100,000
	Payments to suppliers and employees	(70,000)
	Payments on debts	(15,000)
	Payments on taxes	(5,000)
	Net cash flow from operating activities	10,000
	Cash flow from Investing	
	Payments for new investments	(9,000)
	Dividends received	2,000
	Net cash flow from investing	(7,000)
	Cash flow from Financing	
	Debt increases	4,000
	Dividends paid to stockholders	(8,000)
	Net cash flow from Financing Activities	(4,000)
	Net cash flow	(1,000)
	Cash balance, beginning of year	4,000
	Cash balance, end of year	3,000

Sometimes, an income statement shows huge net income. But the cash flow statement shows negative cash flow. How can this be?

Cash flow statements show the **inflow** and **outflow** of cash. This includes:

- revenues and expenses
- **cash distributions** to owners
- **dividends** paid to **stockholders**

• **financing activities**

When a sale is made, it often takes months for payment to arrive. A company may have **generated** \$500,000 sales, but only received \$100,000 in payment. The income statement counts \$500,000 in revenue. But the cash flow statement records only **cumulative** cash - the \$100,000 in **proceeds**.

Reading

Read the cash flow statement and journal article. Then, mark the following statements as true (T) or false (F).

- 1 _ Cash flow statements only record cash.
- 2 _ Dividends are not included in cash flow statements.
- 3 _ Income statements reflect current status better than cash flow statements.

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ cash flow
 - 2 _ generate
 - 3 _ proceeds
 - 4 _ financing activities
 - 5 _ cumulative
- A receiving money from investors or creditors
B created by incremental additions
C the process of money moving into and out of a company
D to make or create
E money earned from a sale

Fill in the blanks with the correct words and phrases from the word bank.

- inflow stockholder cash distributions outflow dividends**
- 1 The company makes _____ to the owners every month.
 - 2 Every ____ owns a tiny portion of the company.
 - 3 Any time money is spent, it is recorded as a(n) ____
 - 4 The company pays quarterly ____ to the stockholders.
 - 5 Money received for sales is a(n) ____ of cash.

Listen and read the statement and article again. Why might a cash flow statement and an income statement have a big balance difference?

Listening

Listen to a conversation between a manager and an accountant. Choose the correct answers.

- 1 What is the dialogue mostly about?
A money generated from sales
B accounts receivable payments
C errors on an income statement

- D contents of cash flow statements
- 2 The cash flow statement only counts
- A net income C cumulative cash
- B sales amounts D accounts receivable

Listen again and complete the conversation.

Manager: Hi, David. Could I talk to you for a second?

Accountant: Sure. 1 ____ ?

Manager: Well, our income statement shows a net income of \$200,000.

Accountant: That 2 ____ about right.

Manager: But the cash flow statement shows only \$100,000 3 ____ from sales.

Accountant: Oh, well, the cash flow statement only counts cumulative cash - the 4 ____ cash we spend and receive.

Manager: So ... Are you 5 ____ me that we haven't received some of the payments on our accounts receivable?

Accountant: Exactly. But our accounts receivable should 6 ____ for it by next month.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Could I talk to you for a second?

The cash flow statement only shows .. .

The cash flow statement only counts .. .

Student A: You are a manager. Talk to Student B about:

- a cash flow statement
- low/high figures
- what the figures mean

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the conversation to complete the email. Make up names for the CPA and Manager.

FROM: _____ CPA _____

TO: _____ Manager _____

I received your email about the different numbers on the income statement and the cash flow statement. Let me explain why they are different.

UNIT 5 PLANNING AND CONTROL

5.1 PRESENTING A P & L STATEMENT

Get ready!

Before you read the passage, talk about these questions.

- 1 What are some of the key points on a P & L statement?
- 2 How do managers use P & L statements?

Profit and Loss Statement

Division A1

	Year Ended December 31, 2010	Year Ended December 31, 2009
Sales Volume	100,000	100,000
	Per Unit Totals	Per Unit Totals
Sales Revenue	\$500 \$500,000	\$450 \$450,000
Cost of Goods Sold	\$250 \$250,000	\$300 \$300,000
Gross Margin	\$250 \$250,000	\$150 \$150,000
Operating Expenses	\$50 \$50,000	\$50 \$50,000
Margin	\$200 \$200,000	\$100 \$100,000
Fixed Expenses	\$75,000	\$75,000
EBIT	\$125,000	\$25,000

Reading

Read the P & L statement and memo. Then, choose the correct answers.

- 1 What is the passage mainly about?
 - A** low operating earnings
 - B** reasons for increased EBIT
 - C** errors in a P & L statement
 - D** proposed changes in division A1
- 2 Which of the following changed year over year?
 - A** sales volume
 - B** fixed expenses
 - C** variable expenses
 - D** cost of goods sold
- 3 Division A1 managers raised prices because
 - A** the profit center was diminishing
 - B** operating expenses skyrocketed

- C** one of the suppliers raised its prices
- D** wholesalers could absorb the increase

MEMO

From: Kevin Baker, Senior Managerial Accountant

To: Board of Directors

2010 was an excellent year, particularly for Division A1. On the left you'll see their P & L statement. Their operating earnings increased from \$25,000 in 2009 to \$125,000 in 2010. How did they do it?

As you can see, the sales volume, fixed expenses, and variable expenses did not change. Two factors did: cost of goods sold and sales revenue. Let me explain.

In 2009, wholesalers were selling our units to retailers at a 300% markup. Division A1 managers saw that and raised our price from \$450 to \$500 in 2010.

Then, in February 2010, one of our primary suppliers lowered its prices. As a result, our cost of goods sold dropped from \$300 per unit to just \$250.

These factors altered the Division A1 profit center. Both margin per unit and total margin were doubled from 2009 to 2010. The resulting earning before interest and tax (EBIT) were the best in the company's history.

Vocabulary

Match the words (1-4) with the definitions (A-D).

- 1 _ operating earnings
- 2 _ fixed expenses
- 3 _ total margin
- 4 _ wholesaler

A sales revenue minus variable expenses

B costs that do not change from month to month

C a company that distributes products to retailers

D the money retained after fixed and variable expenses

Read the sentence pair. Choose where the words best fit in the blanks.

- 1** *variable expenses I retailers*

_____ sell products to the public.

_____ often change each month.

- 2** *profit center I margin per unit*

A _____ is a money-making division within a company.

_____ is the revenue per product after variable expenses.

- 3** *sales volume I earnings before interest and tax*

The total number of products sold is called _____.

Revenue minus fixed and variable expenses is _____.

Listen and read the statement and memo again. What factors caused the increase in EBIT from 2009 to 2010?

Listening

Listen to a conversation between an accountant and a director. Mark the following statements as true (T) or false (F).

- 1 _ The company's earnings dropped in 2010.
- 2 _ The company's costs went down while prices went up.
- 3 _ The wholesalers lowered their prices to retailers.

Listen again and complete the conversation.

Director: I'm impressed. We've never had such a huge increase in a profit center.

Controller: I know. We really got lucky in 2010.

Director: I'm sorry, what do you mean by that?

Controller: I mean that 1 ____ something like that.

Director: Why not? I think the managers 2 ____ raising the price.

Controller: They did. The wholesalers were making huge profits and we 3 ____ some of that for ourselves.

Director: Can we 4 to other divisions?

Controller: We can. But they wouldn't have such a 5 ____ in EBIT unless another supplier lowered their prices.

Director: Ah, I see what you mean 6 _____. We can't predict when that might happen.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

I'm impressed. We've never had ...

We really got lucky ...

I'm sorry. What do you mean by that?

Student A: You are a director. Talk to Student B about:

- increased earnings
- causes
- can it be repeated

Student B: You are a controller. Answer Student A's questions.

Writing

Use the conversation to complete the memo.

MEMO

To: Management and Accounting Staff

Earnings went way up on our last P & L statement.

There are a few reasons for this and a few ways we can try to have similar success in the future. _____

5.2 ANALYZING BALANCE SHEETS

Get ready!

Before you read the passage, talk about these questions.

- 1 What things are included in balance sheets?
- 2 What do balance sheets tell us about companies?

Reading

Read this magazine article. Then mark the following statements as true (T) or false (F).

- 1 A statement of financial condition shows debt.
- 2 Determine working capital by subtracting current liabilities from current assets.
- 3 Liabilities minus equity equals debt-to-equity ratio.

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What's the Deal with the Balance Sheet?

The balance sheet is like a snapshot of a company's financial situation at a moment in time. That's why it is sometimes called a "**statement of financial condition**." It shows a **side-by-side comparison** of a company's assets and its liabilities and equity. Assets include things like cash, accounts receivable, and equipment. Liabilities include things like accounts payable and debts owed to **creditors**.

The balance sheet is one of the basic tools in **fundamental analysis**. Fundamental analysis helps to determine **security valuation** as well as **growth potential**. A major factor that you will want to analyze is your company's **working capital**, which is current assets minus current liabilities.

Additionally, you will want to calculate your debt-to-equity ratio. This is simply a comparison of total liabilities to owner's equity. To find it, divide total liabilities by owner's equity. The resulting ratio indicates how much of your company's operations are funded by debt compared to equity. For example, a **debt-to-equity ratio** of two means that your company is run with twice as much borrowed money as equity.

Vocabulary

Match the words (1-4) with the definitions (A-D).

- | | |
|---------------------|--------------------------|
| 1 _ working capital | 3 _ fundamental analysis |
| 2 _ creditors | 4 _ debt-to-equity ratio |

A a comparison of what a company owes to what it is worth

B people or companies that are owed money

C assets minus liabilities

D an examination of value and growth potent

Fill in the blanks with the correct words and phrases:

security valuation, side-by-side comparison, growth potential, statement of financial condition.

- 1 _____ is the ability of a company to expand.

- 2 A _____ is also called a balance sheet.
3 Paul performed a _____ of revenue and expenses.
4 Stock prices are set after _____ .

Listening

Listen and read the article again. What items are included in a liabilities figure on a balance sheet?

Listen to a conversation between an accountant and a manager. Choose the correct answers.

- 1 What are the people talking about?
A the need to purchase assets
B a plan to borrow some money
C why their working capital is rising
D the company's unusually high debt
- 2 What does the woman suggest?
A liquidating assets C laying off employees
B taking out a loan D collecting from debtors

Listen again and complete the conversation.

Manager: Hello, Karen. Could I talk to you about those reports that you submitted last week?

Accountant: Sure. Is there a problem?

Manager: Well, I'm not sure. A couple things caught my eye, but I'm not sure how to interpret them.

Accountant: OK. I'll see if I can help.

Manager: Great. On the balance sheet, I noticed that our debt is almost twice what it was last period.

Accountant: Right. That's because we took a short term loan to cover some unexpected expenses.

Manager: Oh, that's right. Still, I'm a little worried about it.

Accountant: Are you thinking we should 1 _____ ?

Manager: Maybe. Do you think we'll 2 _____ those debts?

Accountant: Let's see ... we can calculate our working capital. 3 _____ a good idea.

Manager: OK. Is that a 4 _____ ?

Accountant: Not at all. Just subtract current liabilities from current assets.

Manager: Oh, I see. That makes sense.

Accountant: It looks like our assets are still 5 _____ our liabilities.

Manager: Great. That 6 _____. How should we start paying off our debt?

Accountant: We should try to collect our accounts receivable and use those funds to pay our debts.

Speaking

With a partner, act out the roles. Then switch roles.

USE LANGUAGE SUCH AS:

I noticed that ...

Are you thinking ...

Is that a ...

Student A: You are a manager. Talk to Student B about:

- unusually high debt
- working capital
- ways to reduce debt

Student B: You are an accountant. Answer Student A's questions.

Writing

You are an accountant. Use the article and the conversation to write a brief email to your manager. Talk about:

- unusually high debt
- where the debt came from
- working capital
- options for reducing debt

5.3 FRAUD

Get ready!

Before you read the passage, talk about these questions.

- 1 How common is fraud in your country?
- 2 How do people commit fraud?

Reading

Read this magazine article. Then mark the following statements as true (T) or false (F).

The Many Faces of Fraud

An accountant at a school in the United States recently pled guilty to embezzlement charges. The accountant **re-routed** hundreds of thousands of dollars from school accounts to her personal accounts. How did she do it? Simple. Over a period of three years, she wrote numerous checks to herself and gave herself unauthorized raises. She concealed her activities by **making false entries** such as payments to vendors and other companies. Eventually, her employer found out and she was placed on **administrative leave**. Incredibly, she continued to write herself company checks, even though she was no longer working for them. This accountant's story of **cooking the books** is all too common. Fraud is a widespread phenomenon. Fraud occurs in all types of businesses - big and small. Some crimes, like **sales skimming**, are more common in small businesses while other crimes, like **money-laundering**, happen more often in large businesses. Theft is not always the motive of fraud. Sometimes, individuals or companies seek to enhance their economic or political position through **bribery**. They may accept kickbacks or **under-the-table payoffs** from suppliers. Or they might bribe a public official to represent their

political interests. Whatever the methods or motives, **juggling the accounts** is a serious crime, and carries severe penalties.

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _reroute
 - 2 _ bribery
 - 3 _ money-laundering
 - 4 _ making false entries
 - 5 _ sales skimming
- A illegally directing money through a corporation
B the act of paying for 'favorable treatment'
C to direct something to a different destination
D the act of recording erroneous amounts
E taking revenue from one's employer

Read the sentence pair. Choose where the words best fit in the blanks.

- 1 administrative leave / cooking the books
The numbers are wrong. Someone is _____.
Sharon was placed on _____ for rerouting funds.
- 2 under-the-table payoffs / juggling the accounts
The manager took _____ from a supplier.
An accountant was _____ to hide sales skimming.

Listen and read the article again. What happens to those who are caught committing fraud?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

- 1 What is the dialogue mostly about?
A criminal charges C business expenses
B suspicious entries D bookkeeping errors
- 2 What did Mr. Donaldson do?
A He embezzled company funds.
B He went on a business trip.
C He bribed an official.
D He made false expense entries.

Listen again and complete the conversation.

Accountant 1: Amusement park tickets? Seriously? How can you 1 _____
_____ that as a business expense?

Accountant 2: You can't. And didn't he say something about going to an amusement park 2 _____ ?

Accountant 1: He did. He's obviously using the business to 3 _____ expenses.

Accountant 2: And he's just 4 _____. You know what they say - pigs get fat; hogs get slaughtered.

Accountant 1: That's right. So did you find any entries 5 _____ ?

Accountant 2: Well, there was this one for office supplies.

Accountant 1: So what? Every business buys office supplies.

Accountant 2: Yeah, but this entry was 6 _____ bigger than all the past office supply purchases.

Accountant 1: Whoa. So either he's buying a few years' worth of office supplies, or ...

Accountant 2: Or he's making a false entry to cover something up.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

How can you possibly ... ?

He's obviously using ...

Did you find any entries ... ?

Student A: You are an accountant. Talk to Student B about:

- suspicious entries in a client's books

- the possibility of fraud

Student B: You are an accountant. Answer Student A's questions.

Writing

You are an accountant. Use the article and the conversation to write a brief letter to your manager. Talk about:

- reviewing a client's books
- personal expenses in business books
- unusually large entries
- the possibility of fraud

5.4 SOLVENCY

Get ready!

Before you read the passage, talk about these questions.

1 What is solvency?

2 How can solvency be predicted?

Reading

Read these emails. Then, mark the following statements as true (T) or false (F).

1 _ A current ratio predicts future income.

- 2 _ Operating cycles can demonstrate solvency.
- 3 _ A current ratio under 2.0 is considered good.

From: Vanessa Moore, Manager

To: Hank Bally, Controller

Good morning, Hank. I'd really Like to get your opinion on something. We were thinking about investing in an outside company. I want to make sure That we choose the right one. I've read to many stories lately about corporations being forced in **involuntary bankruptcy**, because of their inability to pay creditors. So, my question for you is, how can I determine a company's **solvency**?

From: Hank Bally, Controller

To: Vanessa Moore, Manager

Hi, Vanessa. Unfortunately, solvency cannot be predicted with 100% accuracy. But **barring** any **unforeseen catastrophes**, you can get a good idea of a company's solvency by analyzing its **operating cycle** -the **repetitive** pattern of producing goods or services and selling them for profit. Within that cycle, you should calculate the company's **current ratio**. Let me explain what this number is.

The current ratio is an **indicator** of a company's ability to pay its liabilities. To calculate current ratio, just divide the company's current assets by its current liabilities. For example, if its current assets total \$400,000 and its current liabilities total \$160,000, then its current ratio is 2.5. That's an excellent ratio indicating strong solvency. Generally speaking, a ratio of 2.0 or above is considered good. With anything under 2.0, **think twice**.

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _solvency
- 2 _barring
- 3 _ involuntary bankruptcy
- 4 _ unforeseen
- 5 _ think twice

A a situation in which a business runs out of money

B a business's ability to pay its expenses

C not including

D not able to be predicted

E to consider something carefully

Fill in the blanks with the correct words and phrases:

indicator, current ratio, catastrophe, repetitive, operating cycle.

- 1 Monthly sales patterns are _____.
- 2 A(n) _____ is a pattern of buying and selling.
- 3 The _____ shows a company's solvency.
- 4 Economic depression can be quite a _____ .

5 Sales may not be a(n) _____ of a company's health.

Listen and read the emails again. How can an investor be reasonably sure that a company won't go bankrupt?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

- 1 What is the dialogue mostly about?
 - A a recent investment
 - B a company's solvency
 - C decreasing a current ratio
 - D strengthening a company's financials
- 2 What is the woman likely to do?
 - A fire her controller
 - B invest in Essential Products
 - C look for another investment
 - D ask for another accountant's opinion

Listen again and complete the conversation.

Manager: Well, it's a manufacturing company called Essential Products Manufacturing.

Controller: OK. How do its numbers look?

Manager: Um, well, I calculated its current ratio with that formula you sent me. It was one point four five.

Controller: Hmm ... 1 _____. It's pretty low.

Manager: Really? Another accountant told me it's 2 _____ if the current ratio is below two.

Controller: Well, 3 _____ if's not. But just remember, the ratio shows the 4 _____ to pay its debts.

Manager: So, 5 the more risk of not paying debts and going bankrupt?

Controller: Yes, exactly. A higher ratio means a stronger, more stable company.

Manager: So, what do you think I should do?

Controller: I think you should 6 _____ a different company.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

How do its numbers look?

I calculated its current ratio ...

The lower the number ...

Student A: You are a manager. Talk to Student B about:

- a company to invest in
- the company's current ratio
- the company's solvency

Student B: You are a controller. Answer Student A's questions.

Writing

You are a controller. Your manager asked for your opinion about investing in a company. Use the emails and the conversation to write a brief email answering your manager's questions. Talk about:

- the company's current ratio
- the company's solvency
- your recommendation

5.5 BUDGETING

Get ready!

Before you read the passage, talk about these questions.

- 1 Why does a business need to make a budget?
- 2 How do businesses use their budgets?

Reading

Read this passage from a textbook. Then, mark the following statements as true (T) or false (F).

- 1 _ Businesses use budgets to measure their progress.
- 2 _ Forecasts determine outlook.
- 3 _ Budgets are tighter when the economic outlook is gloomy.

Why budget?

Imagine wanting to build a house. Would you carefully draw up detailed plans that showed every part of the structure that you wanted to build? Or, would you gather a hammer, some nails, and some pieces of wood and just start putting everything together? It makes no sense to build something without a plan. This principle is true in the business world as well.

No one would try to run a business without a plan. A great way to plan for the financial future is **business budgeting**. Businesses budget by setting **concrete goals** built on realistic **forecasts**. Obviously, it costs time and money to develop such detailed **models**. Managers must make **educated guesses** about how much they can invest in budgeting. They must also decide whether to budget **long-term** or **short-term** (also called **near-term**).

Despite the cost, budgeting is an essential business function. It serves as a **yardstick** for measuring the company's performance. In other words, it can compare its goals to its accomplishments at the end of a budget period. Budgeting also serves as a blueprint for the future. If a forecast predicts economic decline, a company will **tighten** its budget. But if this **negative outlook** is reversed and economic expansion is predicted, the budget may be expanded to reflect a more **positive outlook**.

Vocabulary

Match the words (1-6) with the definitions (A-F).

- 1 _ forecast

- 2 _ tighten
 4 _ long-term
 5 _ yardstick
 3 _ near-term 6 _ negative outlook
 A a tool used to measure something
 B to reduce activity and flexibility
 C over a lengthy period of time
 D a gloomy view of the future
 E a prediction about the future
 F over a small period of time

Fill in the blanks with the correct words and phrases from the word bank.

- concrete goals business budgeting model short-term positive outlook**
- Set _____ and then pursue them.
 - Companies have a(n) _____ when the economy looks good.
 - _____ is one of the best ways to plan ahead.
 - The budget is _____, covering just two months.
 - A budget is a _____ based on plans and forecasts.

Listen and read the passage again. How are budgets useful when thinking about the past?

Listening

Listen to a conversation between a manager and an accountant. Choose the correct answers.

- What is the dialogue mostly about?
 A why the budget was exceeded
 B steps for making a budget
 C routine spending patterns
 D techniques for estimating costs
- Accountants use estimates with
 A some costs. C spending levels.
 B low forecasts. D short-term budgets.

Listen again and complete the conversation.

Accountant: All right, next let's look at our costs. We have to adjust our costs in order to maximize our profits.

Manager: Hmm ... that's 1 _____

Accountant: Yes, it is. We'll have to use estimates and 2 _____ with some of the costs.

Manager: OK, then what?

Accountant: Then we adjust costs according to our sales forecasts.

Manager: So we might have to look for 3 _____ our costs if the sales forecasts are low?

Accountant: Exactly. And if the forecasts are high, we might be able to increase our spending 4 _____

Manager: But 5 _____ increase our profits, right?

Accountant: Of course. 6 _____ of budgeting.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Let's look at ...

We'll have to use ...

Then we adjust ...

Student A: You are making a budget. Talk to Student B about:

- steps for budgeting
- forecasts
- adjusting costs

Student B: You are an accountant. Answer Student A's questions.

Writing

You are a manager. Use the passage and the conversation to write notes about the steps for making a budget. Talk about:

- forecasts
- estimating certain costs
- adjusting the budget to maximize profits

UNIT 6 DECISION-MAKING

6.1 ACCRUAL BASIS ACCOUNTING - NON-CASH ACCOUNTS

Get ready!

Before you read the passage, talk about these questions.

- 1 What are some transactions that don't involve cash?
- 2 How do accountants record these transactions?

Accrual Basis Accounting - Non-Cash Accounts

Some businesses use cash basis accounting. They record every amount of cash that they receive or spend. But many businesses use another method called **accrual basis accounting**.

Here are three types of accrual basis non-cash accounts:

Accounts receivable - Many companies make sales **on credit**. The cash from these sales is received later. But the sale is still recorded in **accounts receivable**.

Accounts payable - Companies also make purchases on credit. The payment for these purchases is made later. But the amounts are recorded immediately in **accounts payable**.

Prepaid expense - This covers products or services that are **paid for ahead of time**. For example, a business may purchase insurance policies that require a year or more **advance payment**. The business records this payment as a **prepaid expense asset**. Then they **allocate** it to their expense accounts in monthly **increments**.

Reading

2. Read the textbook passage. Then, choose the correct answers.

- 1 What is the passage mainly about?
 - A how to account for non-cash assets
 - B what items to pay for ahead of time
 - C how to use a new type of accounting
 - D what purchases can be made on credit
- 2 Prepaid expenses are
 - A a type of payable account
 - B non-cash accounts that involve credit
 - C allocated to expense accounts monthly
 - D a good option with cash basis accounting
- 3 Cash basis accounting
 - A is a good way to increase cash
 - B records only the exchange of cash
 - C is more accurate than accrual basis
 - D does not record advance payments

Vocabulary

Match the words (1-4) with the definitions (A-D).

- 1 _on credit

- 2 _ increment
 3 _ advance payment
 4 _ allocate
 A a small amount delivered periodically
 B to pay for something prior to receiving it
 C to purchase something and pay for it later
 D to assign something to a particular location

Read the sentence pair. Choose where the words best fit in the blanks.

1. accounts receivable / paid for ahead of time

The insurance policy must be _____
 _____ will cover those expenses.

2. accrual basis accounting / accounts payable

_____ is more flexible than cash basis.
 Credit purchases are recorded in _____.

3 cash basis accounting / prepaid expense assets

_____ are expenses that are paid in advance.
 _____ records only the exchange of cash.

Listen and read the textbook passage again. What are the 3 kinds of accrual basis accounts?

Listening

Listen to a conversation between an accountant and her client. Mark the following statements as true (T) or false (F).

- 1 _ The man chooses cash basis accounting.
 2 _ Accrual basis accounting follows cash flow.
 3 _ There are delays with accrual basis accounting.

Listen again and complete the conversation.

Accountant: So, you wanted to talk about accounting methods?

Client: Yes. I'm not sure if I should use cash basis or accrual basis accounting.

Accountant: OK. Well, cash basis accounting is good for tracking cash flow.

Client: That makes sense. It's because you only **1** _____ when cash is exchanged, right.

Accountant: Exactly. But accrual basis accounting is better for **2** _____ and expenses.

Client: What do you mean by that?

Accountant: Well, **3** _____ with cash flow. You might **4** _____ but not receive cash for a month.

Client: Oh, I see. But with accrual basis accounting I could record that **5** _____.

Accountant: That's right. So, **6** _____?

Client: Well, I'd rather **7** _____ cash flow. Let's use cash basis accounting.

Speaking

With a partner, act out the dialogue. Then switch roles.

USE LANGUAGE SUCH AS:

So you wanted to talk about accounting methods?

I'm not sure if I should use ...

Well, cash basis accounting is good for ...

Student A: You are opening a business. Talk to Student B about:

- accounting methods
- advantages/disadvantages
- your preference

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the conversation to complete the business owner's notes.

Notes

Cash basis accounting

Accrual basis accounting

6.2 UNPAID EXPENSES

Get ready!

Before you read the passage, talk about these questions.

- 1 What are some expenses that a business doesn't pay right away?
- 2 How do accountants record these expenses?

Unpaid Expenses

Sometimes businesses must record an expense, but don't have to pay it right away. How do they keep track of these unpaid expenses? They can account for them **via** two types of payable accounts:

Income tax payable - Sometimes, a business owes taxes for a certain year that are not due until the following year. The unpaid amount is recorded in an income tax payable account and paid in increments throughout the following year.

Accrued expenses payable - Businesses have to calculate and record expenses for which they have not been **billed**:

- Unused vacation days that **carry over** to the following year
- Interest that isn't due until the end of a **loan period**
- **Bonuses** owed to executives and salespeople

These **accruals** are made throughout the year and recorded in an accrued expenses payable account.

Reading

Read the textbook passage. Then, mark the following statements as true (T) or false (F).

- 1 _ Unused vacation days are lost at the end of the year.
- 2 _ Income tax payable is settled via incremental payments.
- 3 _ Accrued expenses payable carry over from year to year.

Vocabulary

Match the words (1-4) with the definitions (A-D).

- 1 _ bill
 - 2 _ loan period
 - 3 _ carry over
 - 4 _ accruals
- A to transfer an amount from one period to another
B the length of time for repaying borrowed money
C a document stating what is owed
D amounts that are accumulated over time

Fill in the blanks with the correct words and phrases from the word bank.

via bonus income tax payable accrued expense payable

- 1 Calculate this year's taxes and record the amount in ____ .
- 2 Debt payments are made ____ the cash account.
- 3 If salespeople reach their target, they will get a(n) ____ .
- 4 Unused vacation days must be recorded as a(n) ____ .

Listen and read the textbook passage again. What should a company do with an unbilled expense?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

1. What is the dialogue mostly about?
 - A raising executive salaries
 - B recording an accrued expense
 - C creating a new expense account
 - D settling last year's expense accounts
2. According to the dialogue, bonuses are
 - A the same every year
 - B given to accountants
 - C paid at the end of the year
 - D estimated according to sales

Listen again and complete the conversation.

Accountant 1: Larry, could you help me, with these expense accounts?

Accountant 2: Sure, Vicky, what's up?

Accountant 1: I need to know how to account for bonuses.

Accountant 2: You mean the bonuses we pay to **1** ____ ____ ____?

Accountant 1: Right. We **2** ____ ____ ____ until the **3** ____ ____ ____, so how do I know how much they will be?

Accountant 2: Well, you **4** ____ ____ ____ ____ know. I can give you estimates.

Accountant 1: How do you estimate them?

Accountant 2: I use the amounts of **5** ____ ____ ____ as a guide.

Accountant 1: OK. **6** ____ ____ ____ . But the amounts vary every year, right?

Accountant 2: They do. The estimates won't be **7** ____ ____, but that's not a problem.

Accountant 1: So then, how do I record them?

Accountant 2: You need to record them in the accrued expenses payable account.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

How do I know how much ... ?

You don't actually have to know ...

How do you estimate ... ?

Student A: You are an accountant. Talk to Student B about:

- bonuses
- estimates
- recording them

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the conversation to complete the memo.

MEMO

TO: accountants

RE: bonuses

Bonuses are paid to salespeople and executives at the end of the year. We account for this by

6.3 LEVERAGE - GOOD OR BAD?

Get ready!

Before you read the passage, talk about these questions.

1. Why do businesses take out loans?
2. How can businesses raise needed capital?

Reading

Read the article from a business magazine. Then, mark the following statements as true (T) or false (F).

1. ____ owners keep senior claims on their leveraged property.
2. ____ There are many types of loans with varying terms.
3. ____ The interest on some loans can help lower taxes.

Leverage: Use What You Have

For month you've been thinking about getting a new office in a nicer part of town. You already own the land; you just need to build the office. But there's one problem: you don't have enough cash. What can you do?

You can **leverage** the land. In other words, use the land as **collateral** and **take out** a loan to build the office. There is a risk of course. The lender will have **senior claim** on your property. If you **default**, the lender will take your land and the building. Be careful when you choose a loan - not all loans are created equal.

There are good loans and bad loans. Don't take a loan unless it has **desirable terms**. Shop around until you find one with a low **interest rate**, low fees, a reasonable **origination fee**, and **tax deductible** interest. You should also look for one that you can **pay off** early without penalties.

Vocabulary

Match the words (1-5) with the definitions (A-E).

1. ____ leverage
 2. ____ desirable terms
 3. ____ origination fee
 4. ____ default
 5. ____ interest rate
- A to fail to make payments
B a percentage added to a loan amount yearly
C the fee for making a loan
D to use an asset as collateral
E favorable conditions

Fill in the blanks with the correct words and phrases from the word bank.

tax deductible collateral pay off senior claim take out

1. Having ____ interest is a great way to lower tax bills.
2. The company ____ must its debts before borrowing more.
3. Defaulting on the loan would result in the loss of ____ .
4. The bank has a ____ on the company's building.
5. A bad economy forced the company to ____ another loan.

Listen and read the article again. What are some attractive terms to look for when considering a bank loan?

Listening

Listen to a conversation between an accountant and her client. Choose the correct answers.

1. What is the dialogue mostly about?
 - A taking out a loan
 - B renegotiating terms
 - C financing a new business
 - D making an early payment
2. What will the man likely do?
 - A change his business plans
 - B try to get a loan elsewhere
 - C pay off some of his business's debts
 - D ask for another accountant's opinion

Listen again and complete the conversation.

Client: I met with a banker yesterday and got a loan offer

Accountant: That's great! What are the terms?

Client: The fees and interest rate are really low.

Accountant: Good. Now will the interest be tax deductible?

Client: It will. The only negative is that they said something about 1 ____ in 5 years.

Accountant: Oh, that's not a good thing.

Client: No, but all the 2 ____ are great.

Accountant: Hmm ... 3 ____ for paying it off early?

Client: Oh, yeah, I 4 ____ that. There are. But I don't plan to 5 _____, so it's OK.

Accountant: Well, what if your business 6 _____ and you want to get rid of some debt?

Client: That's a good point. Maybe I should 7 ____.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

I met with a banker and got a loan offer.

What are the terms?

The fees and interest rate are ...

Student A: You are taking out a loan. Talk to Student B about:

- the terms
- his/her recommendation

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the conversation from Task 8 to complete the letter. Make up names for the client and the CPA.

Mr. _____,

I am writing in regards to the loan papers you asked me to review. I recommend that you don't take this loan offer. Let me explain why.

Sincerely,

_____, CPA

6.4 VARIABLE EXPENSES

Get ready!

Before you read the passage, talk about these questions.

1. What expenses can change from month to month?
2. What causes these expenses to rise or fall?

Reading

Read the report. Then, mark the following statements as true (T) or false (F).

- 1 _ The company increased contributions to the profit sharing plan.
- 2 _ Revenue in 2010 was less than it was in 2009.
- 3 _ Advertising expenditures rose by 200% from March to April.

2010 Variable Expenses Report

Variable expenses rose dramatically in 2010. Several factors contributed to this rise.

Employee Benefits - In February, we increased our contributions to the employees' retirement plan. This resulted in a 5% rise in our employee benefits cost.

Advertising – Advertising costs skyrocketed from \$10,000 in March to \$30,000 in April. This was due to the launching of a new TV **commercial** campaign.

Charitable Contributions - In May, after several months of steadily rising profits, we increased charitable contributions by 2%.

Repairs - In July, equipment failures resulted in a **temporary spike** in expenses. All repairs were completed by August and our expenses **leveled off**.

Profit Sharing Plan - In September, the Board of Directors **discontinued** the profit sharing plan due to declining sales revenue.

Compensation of Officers - We promised executives in every department a 5% bonus on any revenue generated over the previous year's revenue. Sales skyrocketed in 2010. As a result, \$100,000 was paid in bonuses from October through December.

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 ____ repairs
 - 2 ____ level off
 - 3 ____ spike
 - 4 ____ charitable
 - 5 ____ profit sharing plan
- A done to help other people
 - B fixing something that is broken
 - C a sharp, dramatic rise
 - D giving employees part of a company's revenue
 - E to stop rising or falling

Fill in the blanks with the correct words and phrases from the word bank.

discontinue temporary campaign employee benefits

1. The economic downturn is not permanent; it's ____ .
2. Our competition is running a strong ____ of radio ads.
3. Lack of funding forced the company to ____ the program.
4. Henry's job has health insurance and a lot of other great ____ .

Listen and read the report again. Which costs decreased in 2010?

Listening

Listen to a conversation between a controller and a CFO. Choose the correct answers.

1. What is the dialogue mostly about?
 - A explaining a report
 - B increasing bonuses
 - C limiting advertising costs
 - D generating income for a charity
2. The man thinks that TV advertising
 - A will be stopped
 - B should focus on charity
 - C caused profits to increase
 - D wasn't approved by executives

Listen again and complete the conversation.

Controller: Did you see my report on last year's expenses?

CFO: I did. We really had a 1 ____ in overall variable expenses, didn't we?

Controller: Yes, we did. How do you feel about that?

CFO: Well, most of it is pretty 2 ____ , but the advertising ... how could it go up so much?

Controller: Yeah, that's a pretty 3 ____ .

CFO: No kidding. From \$10,000 to \$30,000 - that's huge!

Controller: Well, TV advertising is expensive, but 4 ____ .

CFO: That's true. I think the 5 _____ covered the expense.

Controller: It did. And it 6 _____ that we were able to increase our 7 _____ .

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

We really had a huge increase in ...

How do you feel about that?

How could ... go up so much?

Student A: You are a controller. Talk to Student B about:

- increases or decreases in variable expenses
- reasons for changes

Student B: You are a CFO. Answer Student A's questions.

Writing

Use the conversation from Task 8 to complete the letter. Make up names for the CFO and the president.

From: _____, CFO

To: _____, President

Ms. _____ .

As you know, our variable expenses rose considerably last year. But this is nothing to be concerned about. Let me explain.

Best wishes,

_____, CFO

6.5 END-OF-PERIOD PROCEDURES

Get ready!

Before you read the passage, talk about these questions.

1 What are end-of-period procedures?

2 What are some problems that might occur during end-of period procedures?

Reading

Read the email. Then, mark the following statements as true (T) or false (F).

1 _ The bookkeepers made errors in a receivable account.

2 _ The business experienced an increase of transactions.

3 _ Gentle Giant created audit trails.

From: George Garcia, CPA, Benjamin Landon and Associates

To: Cynthia Hall, CFO, Bedford Express Plastics

Miss Hall,

I have completed the end-of-period procedures for your business. Although there were a lot more transactions this period, I did not have to make very many **adjusting entries**. This made it easier for me. Your new bookkeepers did an excellent job recording the day-to-day **flow of transactions**. Their accounting was accurate and they left very detailed **audit trails**.

However, as I was making a last minute **sweep** of all your records, I noticed something **out of the ordinary**. You have an **abnormally** large balance in the receivable account for your customer, Gentle Giant Manufacturing. It first **caught my attention** when I saw that the company did not make a payment through the entire period. It's one of your regular customers, right? I find it hard to believe that Gentle Giant would try to **stiff** you. However, this is definitely a **red flag**, and you might want to look into it.

Best wishes,
George

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ red flag
 - 2 _ sweep
 - 3 _ abnormally
 - 4 _stiff
 - 5 _ audit trails
- A** detailed records that are easy to study
 - B** a detail that is alarming
 - C** to fail to pay someone for goods or services
 - D** a study of an area or a set of information
 - E** odd; out of the ordinary

Fill in the blanks with the correct words and phrases from the word bank.

caught my attention out of the ordinary flow of transactions adjusting entries

- 1 The records had errors, so Jacob made _____ .
- 2 The errors were _____ , usually the bookkeepers are very careful.
- 3 The obvious errors quickly _____ .
- 4 The _____ slowed in the bad economy.

Listen and read the email again. What concern is brought to the attention of the CFO?

Listening

Listen to a conversation between an accountant and his client. Choose the correct answers.

1. What is the dialogue mostly about?
A a red flag

- B** new procedures
- C** early payments
- D** a long-time customer

2. What does the man think about Thomas and Nash Distributing?

- A** It is a new customer.
- B** It had an accounting error.
- C** It is going to stiff his client.
- D** It owes the client a lot of money.

Listen again and complete the conversation.

Client: Is something wrong?

Accountant: Maybe. See, you have a really big **1** ____ _ for one of your customers.

Client: Have they **2** ____ _ payments?

Accountant: No. They've only made one payment **3** ____ _ .

Client: Is it Thompson and Nash Distributing?

Accountant: Yes. **4** ____ _ they are going to stiff you. I'm just saying it's **5** ____ _ .

Client: Actually, I talked to their CFO last week. Their payments **6** ____ _ because of an accounting error.

Accountant: Oh, I see. **7** ____ _ .

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Is something wrong?

Maybe. You have a ... I talked to their CFO last week.

Student A: You are a client meeting with your accountant. Talk to Student B about:

- end-of-period procedures
- problems
- solutions

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the conversation to complete the email.

FROM: _____, *Owner*

TO: _____, *CPA*

I got your message. You are right. The amount in ____ seems a little off. I spoke to their CFO last week. Here's the problem:

Thanks for all your hard work!
Best wishes,

6.6 IS PROFIT ETHICAL?

Get ready!

Before you read the passage, talk about these questions.

1. Why do some people say that profit is unethical?
2. Do you think making profit is unethical?

Reading

Read this article from an accounting journal. Then, mark the following statements as true (T) or false (F).

- 1 _ Business owners pay for losses.
- 2 _ Business owners define the poverty line.
- 3 _ According to the passage, workers exploit businesses

Is Profit Ethical?

Some people say that profit is **unethical**. They believe that businesses **make a killing** by exploiting their workers, many of whom struggle to live above the poverty line. Some say businesses damage the environment as well. And yes, there may be some individuals who take the **low road** and engage in unethical or **immoral** business practices. But the inappropriate actions of a few do not **condemn** all. Most owners operate **ethical, environmentally friendly** businesses. Profit is merely a return on effort. As long as it is gained responsibly, showing respect to the Earth and its inhabitants, there is nothing immoral about it.

Furthermore, it's very interesting that businesses are rarely **criticized** for their handling of losses. Who pays for losses? Business owners do. Businesses have potential for profit because they also have great potential for loss. How can anyone say that's unethical?

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ unethical
 - 2 _ poverty line
 - 3 _ exploit
 - 4 _ make a killing
 - 5 _ condemn
- A to take advantage of someone
 - B to generate huge profits
 - C not conforming to moral standards
 - D to judge someone or something unfavorably
 - E the amount of income needed to cover basic needs

Fill in the blanks with the correct words and phrases from the word bank.

low road environmentally friendly immoral ethical criticize

1. Making a profit is only _____ if it hurts someone.
2. Some people _____ businesses for making profit.
3. Their _____ policies minimize their effect on the Earth.
4. Making a profit is _____ as long as it's made fairly.
5. Unfortunately, Angela chose to take the _____ .

Listen and read the article again. How does it describe profit?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

- 1 What is the dialogue mostly about?
A how business owners can fail
B whether making money is moral
C what kinds of risks employees face
D why the poverty line should be moved
- 2 The woman thinks that owners
A often take the low road
B gain wealth by creating poverty
C suffer loss the same as employees
D deserve more profit because of risk

Listen again and complete the conversation.

Accountant 1: Actually, I think they might **1** _____ .

Accountant 2: What? Why would you say that?

Accountant 1: Well, you know, sometimes businesses **2** _____ .

Accountant 2: Yeah, maybe that happens **3** _____ ,but not very often.

Accountant 1: Some people **4** _____ because they see wealthy owners with employees who **5** _____ the poverty line.

Accountant 2: But the owners **6** _____ profit because they have more risk.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

I think they might have a good point.

Why would you say that?

Sometimes businesses ...

Student A: You are an accountant. Talk to Student B about:

- when profit is ethical
- when profit is unethical

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the article and the conversation to complete the letter to a magazine editor.

Dear Editor,

I am writing in response to the article about profit that you published last month. The article stated that making a profit is unethical. I [agree *I* disagree]. Let me explain why.

Sincerely,

UNIT 7 COSTING

7.1 NUMBERS

Get ready!

Before you read the chart, talk about these questions.

- 1 How do you say symbols like = and ;. ?
- 2 What are some of the ways to say big numbers?

Symbol	Interpretation	Example	
=	is, equals	$1/2 = 0.5$	One-half equals point five.
+	and, plus, add	$a + b = c$	A plus B equals C.
-	minus, less, subtract	$a - b = c$	A less B equals C.
x	times, multiplied by	$a \times b = c$	A times B equals C.
÷ or /	over, divided by	$a \div b = c$ or $a / b = c$	A over B equals C.
1300	one thousand three hundred or thirteen hundred	The company has thirteen hundred dollars in the bank.	

Reading

Read the chart. Then, mark the following statements as true (T) or false (F).

- 1 _ Five less four means the same thing as five minus four.
- 2 _ Five times three equals five plus three.
- 3 _ Seven over three equals seven divided by three.

Vocabulary

Fill in the blanks with the correct words from the word bank.

times minus and hundred add is

- 1 Eight ____ two is sixteen.
- 2 Nine and three ____ twelve.
- 3 Twenty ____ six equals fourteen.
- 4 One thousand plus five hundred is fifteen ____ .
- 5 To get seven, ____ two and five.
- 6 Eighteen ____ two is twenty.

Read the sentence and choose the correct word.

- 1 Seven plus / divided by two is nine.
- 2 Nineteen over / less eight equals eleven.
- 3 Start with seventeen. Subtract / Add three. This equals fourteen.
- 4 Four multiplied by / divided by two is eight.
- 5 Ten over / plus five equals two.
- 6 Sixteen less / divided by four equals four.

7 Five plus eight equals / over thirteen.

Listen and read the chart again. What is another way to say the symbol 'and'?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

1 What is the dialogue mostly about?

- A audit results
- B a mathematical error
- C subtracting numbers
- D accounting methods

2 The woman divided when she should have _ .

- A added
- B subtracted
- C copied
- D multiplied

Listen again and complete the conversation.

Accountant 1: Don, could you look at this for me?

Accountant 2: Sure, what is it?

Accountant 1: Well, I checked these numbers twice, but they still 1 __ wrong. I'm not sure why.

Accountant 2: Let's see ... Three thousand five hundred 2 __ seven hundred is five.

Accountant 1: Right. And then I 3 __ each entry by five.

Accountant 2: Oh, I see the 4 __ . You weren't 5 ____ divide thirty-five hundred by seven hundred.

Accountant 1: Are you 6 __ ?

Accountant 2: Yes. You need to multiply them.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Could you look at this for me?

I see the problem.

You were supposed to ...

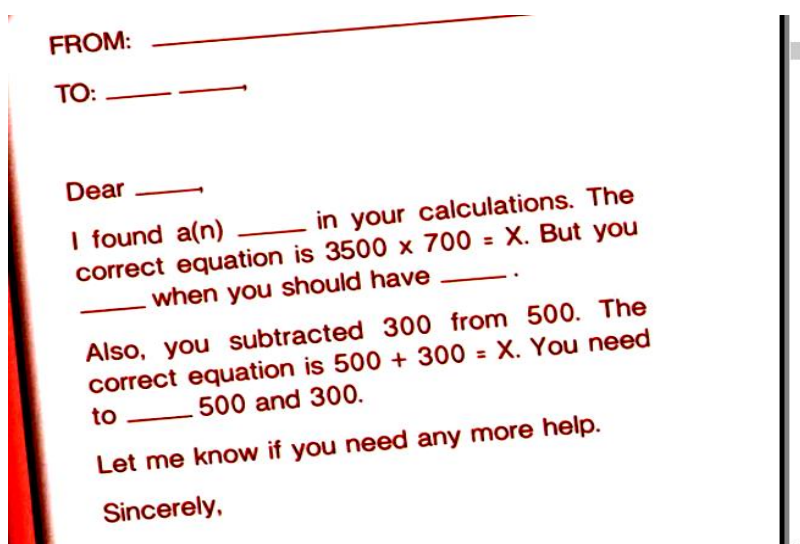
Student A: You are having trouble with an accounting task. Ask Student B about:

- your work
- errors
- solutions

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the chart and the conversation in to complete the email. Make up names for both accounts.



7.2 OVERDRAFTS

Get Ready!

Before you read the passage, talk about these questions.

- 1 What happens if you write a check for more money than you have in your bank account?
- 2 What are the penalties for overdrawing a bank account?

Reading

Read the notice from a bank. Then, choose the correct answers.

- 1 What is the passage mainly about?
 - A a missing check
 - B an excessive bank fee
 - C an overdrawn bank account
 - D an upcoming account statement
- 2 How can Mr. Johnson compensate for the overdraft?
 - A pay the bank \$235
 - B pay the bank \$200
 - C request a transfer
 - D choose a different bank
- 3 What can be inferred about overdraft charges?
 - A Some of them can be negotiated.
 - B There are new charges for every overdraft.
 - C They vary according to the overdraft amount.
 - D Customer service representatives can block them.

Dear Mr. Johnson,
Account No. 58756

We regret to **inform** you that you have an **overdraft** of \$200.00 on your account. On April 3, 2010, Total Value Office Supply **cashed a check** in the amount of \$500.00. Your account balance on that date was \$300.00. Your **upcoming** statement includes overdraft **charges** in the amount of \$35.00. To avoid further charges, please do not

make any additional **withdrawals** or **transfers** until **compensating** for this overdraft. If you have any questions or concerns, please contact us. For your convenience, customer service representatives are available twenty-four hours a day by phone.

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ overdraft
- 2 _ compensate
- 3 _ transfer
- 4 _ upcoming
- 5 _ cash a check

- A appearing or arriving in the near future
B to receive money in exchange for a document
C a withdrawal that exceeds an account's balance
D to restore or replace something
E to move something from one place to another

Fill in the blanks with the correct words from the word bank.

charges withdrawal inform

- 1 _____ the manager of the change.
- 2 Susan needs cash, so she went to her bank and made a(n) _____
- 3 Tom paid a lot of extra _____ because of his overdraft.

Listen and read the notice again. What will show on Capital Incorporated's next statement?

Listening

Listen to a conversation between an accountant and a banker. Mark the following statements as true (T) or false (F).

- 1 _ The woman's personal account was overdrawn.
- 2 _ Both accounts now have \$500 in them.
- 3 _ The man refunded the overdraft charges.

Listen again and complete the conversation.

Banker: First Venture Bank. How may I help you?

Accountant: Hi. This is Wendy from Capital Incorporated. I just received an 1 _____ from you.

Banker: I can help you with that. What is your 2 _____ ?

Accountant: It's 58756. We have a second account with you 3 _____ .

Banker: Let me see ... Your company's other account has a balance of \$1000.00.

Accountant: Good. Can I 4 _____ \$500 into the overdrawn account?

Banker: 5 _____. Is there anything else I can help you with today?

Accountant: No, 6 _____. Thanks.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

I just received an overdraft notice ...

What is your account number?

Can I transfer ... ?

Student A: You are calling a bank. Talk to Student B about:

- an overdraft
- another account
- paying for the overdraft

Student B: You are a banker. Answer Student A's questions.

Writing

Use the notice and the conversation to fill out the email. Make up a name for the accountant.

FROM: _____, Accountant
TO: _____, Manager
RE: an overdraft

Dear _____,

I'm writing to inform you of an overdraft and what I did to compensate for it. _____

Cordially,

7.3 COSTS

Get Ready!

Before you read the passage, talk about these questions.

- 1 How do companies set prices?
- 2 How can companies get in trouble for their prices?

Reading

Read the magazine article. Then, choose the correct answers.

- 1 What is the passage mainly about?
 - A setting sales prices
 - B influencing competitors
 - C lowering fixed expenses
 - D preventing rising expenses
- 2 Businesses are only allowed to lower prices if
 - A they are dumping

- B they remain above their costs
 - C they are being sued
 - D their competitors agree
- 3 What can be inferred about dumping?
- A It is considered ethical.
 - B It is legal in some countries.
 - C It involves the markup method.
 - D It doesn't account for fixed expenses.

Setting sales price

Managers set **sales price** by using **markups** or the **cost-plus method**. How? It's simple. Start with the cost of producing something. Then add a certain percentage. This percentage includes the desired profit and fixed expense recovery. But what if a company sells below cost?

Dumping

Sometimes, businesses try to gain an advantage by selling **below cost**. This is called dumping. Many countries have passed laws against dumping. It is a **predatory** pricing practice because companies use it to drive competitors **out of business**. Businesses can only lower their prices down to their costs. Otherwise, someone can sue them.

Vocabulary

Match the words (1-4) with the definitions (A-D).

- | | |
|-----------------|------------|
| 1 _ sales price | 3 _ markup |
| 2 _ dumping | 4 _ sue |
- A an amount added to costs when setting prices
 - B the amount a business charges for product
 - C setting a price below costs
 - D to initiate legal proceedings against someone

Fill in the blanks with the correct words and phrases from the word bank.

below cost cost-plus method predatory out of business

- 1 Low prices can drive competitors _____
- 2 Dumping is considered a _____ pricing practice.
- 3 The _____ involves adding a certain percentage.
- 4 The company is being sued because it was _____ pricing

Listen and read the article again. What illegal practice do some businesses use and why?

Listening

Listen to a conversation between two accountants. Mark the following statements as true (T) or false (F).

- 1 _ The woman is surprised by the lawsuit.

- 2 _ The man often makes purchases from the company.
3 _ The woman thinks the company was acting against the law.

Listen again and complete the conversation.

Accountant 1: Did you hear about Smithson Technologies?

Accountant 2: No. Did something 1 ____ them?

Accountant 1: They're 2 ____ .

Accountant 2: Really? I hadn't heard that. Why?

Accountant 1: The lawsuit says they were dumping. It doesn't 3 ____ me. Their prices seemed too low.

Accountant 2: Personally, I think it's great when a company can offer a 4 ____ product for less money.

Accountant 1: But if they're selling 5 ____ it's against the pricing laws.

Accountant 2: I see 6 ____ . Maybe they were trying to drive their competitors out of business.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Did you hear about ... ?

They're getting sued.

It doesn't surprise me. Their prices ...

Student A: You are an accountant. Talk to Student B about:

- a lawsuit
- reasons for it
- pricing laws

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the conversation to fill out the email. Make up names for the accountant and manager.

FROM: _____, Accountant
TO: _____, Manager
RE: dumping

Dear _____

As you requested, here is some information about pricing laws. _____

Cordially,

7.4 DEPRECIATION

Get Ready!

Before you read the passage, talk about these questions.

- 1 What are some assets that lose value quickly?
- 2 What are some assets that are eventually worth nothing?

Reading

Read the memo from a partner in an accounting firm. Then, choose the correct answers.

- 1 What is the passage mainly about?
 - A avoiding obsolescence
 - B decreasing wear and tear
 - C buying salvaged property
 - D accounting for changing value
- 2 The straight-line method is used to depreciate assets
 - A that suffer obsolescence
 - B during their first few years
 - C that experience wear and tear
 - D with unpredictable salvage value
- 3 Accelerated depreciation
 - A prevents obsolescence
 - B decreases value evenly
 - C expands the recovery period
 - D accounts for damage from use

From: Bill Anderson

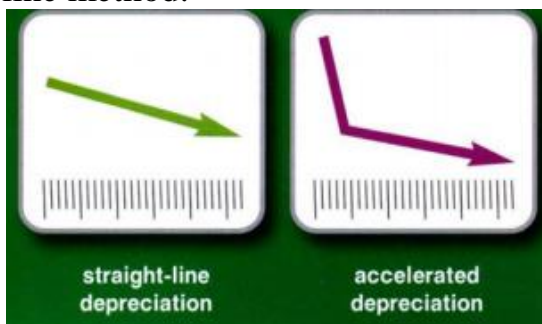
To: All Staff

Good morning team! I want to offer the best service to our clients. To do that, we need to review **depreciation**. There are two **depreciation methods**. We must consider each client's needs when deciding which to use.

Straight-line depreciation evenly decreases the value of a **depreciable asset** through the entire recovery period.

Accelerated depreciation accounts for more wear and tear during the first years of a tangible asset's use.

Each **depreciation schedule** is useful. Both end with the same **salvage value**. Depreciate assets like cars, that go through a lot of wear and tear with the accelerated method. Depreciate assets, like computers, that suffer **obsolescence** with the straight-line method.



Vocabulary

Match the words (1-6) with the definitions (A-F).

- 1 _ depreciation
 - 2 _ recovery period
 - 3 _ salvage value
 - 4 _ tangible asset
 - 5 _ depreciation method
 - 6 _ wear and tear
- A a physical object that holds value
B the process by which assets lose their value
C what an asset is worth after losing value
D the time in which depreciation is accounted for
E the way in which an asset's loss of value is recorded
F damage that occurs through normal use

Fill in the blanks with the correct words and phrases from the word bank.

straight-line depreciation accelerated depreciation depreciable assets
obsolescence depreciation schedule

- 1 Use _____ with the car; it loses value quickly in the first years.
- 2 Use _____ to reduce value at a steady rate.
- 3 How an asset loses value determines what _____ should be used.
- 4 Most objects that hold value, except real estate, are _____
- 5 Electronic assets like computers and cell phones suffer _____

Listen and read the memo again. What is meant by the term depreciation?

Listening

Listen to a conversation between an accountant and her client. Mark the following statements as true (T) or false (F).

- 1 _ The man recently sold an air conditioner.
- 2 _ The woman recommends straight-line depreciation.
- 3 _ Straight-line depreciation is the most complicated method.

Listen again and complete the conversation.

Accountant: Hello, Tony. What can I do for you?

Client: Well, I 1 _____ a new air conditioner. Is it an expense or a depreciable asset?

Accountant: An air conditioner? That's a depreciable asset.

Client: OK. So, I need to 2 _____ depreciation to keep my books 3 _ _

Accountant: Right. Which depreciation schedule do you want to use?

Client: I don't know. I want something simple and easy.

Accountant: 4 _____ using the straight-line method? That's the 5 _ _

Client: That 6 _____ to me.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

I bought a ... is it an expense or ...

Which depreciation schedule do
you ... ?

How about using the ... ?

Student A: You are calling an accountant. Talk to Student B about:

- a purchase
- depreciation schedules
- which to use

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the memo and the conversation to fill out the letter to a client. Make up names for the client and accountant.

Dear _____

I received your request for information about depreciation. Here are some details about depreciation and the different depreciation schedules that you can use.

Cordially,

CPA

7.5 DIRECT AND INDIRECT COSTS

Get ready!

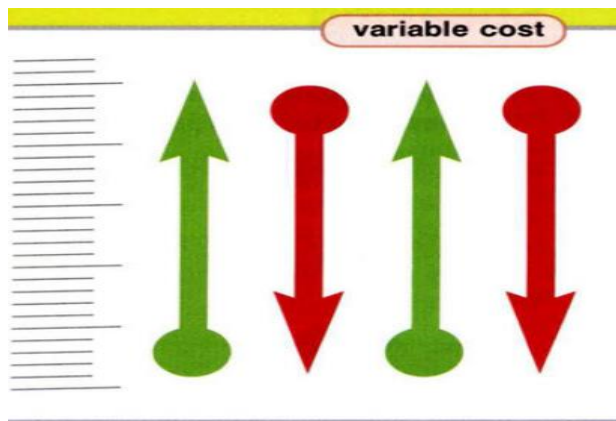
Before you read the passage, talk about these questions.

- 1 What are direct costs?
- 2 What are indirect costs?

Reading

Read this article in an accounting textbook. Then, mark the following statements as true (T) or false (F).

- 1 _ The ABC method can account for fixed costs.
- 2 _ Variable overhead is directly tied to production.
- 3 _ Cost drivers are used to allocate direct costs.



Accounting for Costs

Some costs are easy to account for. **Direct costs**, which are also called **variable costs**, are easily attributed to a specific product or activity. For example, a company that makes pens has to buy plastic and ink and pay its employees to manufacture the pens. These are obviously direct costs. But businesses also incur **indirect costs**, or **fixed costs**, which remain constant and are not tied to specific products or services. Take, for example, a manufacturing company.

Manufacturing firms have both direct and indirect costs.

Direct costs include:

- Raw materials, often called **direct materials**
- **Direct labor** -the wages paid to production-line employees
- **Variable overhead** - other costs that increase or decrease with production (For example, if production requires water, the water bill will fluctuate with the volume of production.)

Indirect manufacturing costs include:

- **Fixed overhead** -depreciation, insurance, rents

So how should indirect costs be accounted for? One popular method is called **activity-based costing (ABC)**. In this method, cost drivers are created for each product. Then indirect costs are allocated according to those **cost drivers**. For example, in a manufacturing plant, an indirect cost like rent could be allocated to each piece of machinery based on how much space it occupies.

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ variable cost
 - 2 _ direct labor
 - 4 _ indirect cost
 - 5 _ cost drivers
 - 3 _ activity-based costing
- A any expense tied to production
 - B any expense not tied to production
 - C units involved in production
 - D the cost of paying workers
 - E a method for allocating fixed costs

Check ✓ the sentence that uses the underlined parts correctly.

- 1 _ A Rent is an example of fixed overhead.
_ B A loan payment is variable overhead.
- 2 _ A Direct materials are used to make products.
_ B An insurance premium is a direct cost.
- 3 _ A Variable overhead is not tied to production.
_ B A fixed cost is not tied to production.
- 4 _ A An employee's wage is a direct cost.
_ B .An executive's bonus is fixed overhead.
- 5 _ A The price of paint is a fixed cost.
_ B Variable overhead is costs tied to production.

Listen and read the article again. How might you account for a cost like rent in a manufacturing company?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

- 1 What is the dialogue mostly about?
A allocating direct costs C pairing costs with prices
B renting versus owning D direct versus indirect costs
- 2 The cost of metal is
A a cost driver.
B a variable cost.
C fixed overhead.
D an indirect cost.

Listen again and complete the conversation.

Client: Hi, Sarah. Thanks for helping me set up my books.

Accountant: No problem. That's what I'm here for. Let's start by listing your direct and indirect costs.

Client: Direct and indirect costs? I'm sorry ... I'm not sure I understand.

Accountant: Well, direct costs are tied directly to a product or service.

Client: OK. Can you give me an example?

Accountant: Um, your company makes paper clips, right? The cost of the metal is a direct cost.

Client: So, then, what would be an indirect cost?

Accountant: Let's see ... do you own your manufacturing plant?

Client: No, I rent it.

Accountant: Well, your rent 1 _____ how many paper clips you manufacture. It's an indirect cost.

Client: Oh, I see. So, how 2 _____ these different types of costs?

Accountant: It's easy with the direct costs. 3 _____ the money that you get from selling your products.

Client: Right. But what about the indirect costs? 4 _____ there's a method called ABC. What is that?

Accountant: It's a way to allocate indirect costs 5 _____

Client: Can you show me how to do that?

Accountant: Well, 6 _____. Let me explain ...

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

What would be ...

Do you own ... ?

How should I account for ... ?

Student A: You are a business owner. Talk to Student B about:

- indirect costs
- how to record different types of costs

Student B: You are an accountant. Answer Student A's questions.

Writing

You are an accountant. Use the article and the conversation to write a brief email to your client explaining different types of costs. Talk about:

- direct/variable costs
- indirect/fixed costs
- how to record costs
- the ABC (activity-based costing) method

UNIT 8 AUDITING

8.1 CONTROLLERS

Get ready!

Before you read the passage, talk about these questions.

- 1 What does a controller do?
- 2 What are the qualifications of a controller?

Reading

Read the job advertisement. Then, mark the following statements as true (T) or false (F).

1. _ Applicants must have a college degree.
2. _ The person who gets the job will work some weekends.
3. _ The person who gets the job will teach other employees.

Wanted: Controller

The accounting firm of West Kennedy, and Wilson is seeking a well-qualified **controller**. This position is available immediately.

Requirements:

- A bachelor's or master's degree in Accounting
- Must be a Certified Public Accountant (CPA)
- At least seven years' experience with **accounting systems**
- Management experience is preferred, but not necessary
- Willingness to submit to a **background check** and **drug screening**
- Honesty
- **Integrity**
- **Attention to detail**
- Willingness to travel
- Willingness to work some nights and weekends, as needed

Responsibilities include:

- Ensuring that financial records are kept **up to date**
- Preparing and disturbing all final **internal** and **external financial reports**
- Reporting directly to the **Chief Financial Officer (CFO)**
- Oversight and quality assurance of all bookkeeping activities
- Training of new hires and development of standardized training materials

Please submit a resume to the Human Resources Department.

Vocabulary

Match the words (1-5) with the definitions (A-E) .

- 1 _ controller
- 2 _ integrity
- 3 _ up to date
- 4 _ accounting system
- 5 _ internal financial records

- A containing all information as of today
- B a uniform set of methods and procedures
- C documents that are used by members of an organization
- D *adhering* to morals and professional principles
- E a person *who* oversees a company's *financial* matters

Fill in the blanks with the correct words and phrases:

background check, chief, financial officer, drug screening, external financial records, attention to detail.

- 1 Todd never used illegal substances, so he easily passed the ____ .
- 2 Perform a ____ on all employees to see if they have a criminal record.
- 3 _____ are documents prepared for people outside the company.
- 4 As the _____, Henry oversees all accounting activities.
- 5 Carol has great _____, and easily finds errors.

Listen and read the job advertisement again. What personal qualities are the employers looking for in a controller?

Listening

Listen to a conversation between a human resources employee and an applicant. Choose the correct answers.

1. What is the dialogue mostly about?
 - A interviewing for a job
 - B creating a job advertisement
 - C designing an accounting system
 - D reviewing a new hire's Performance
2. The man left his previous job because he
 - A lacked honesty and integrity
 - B didn't like the job enough to stay
 - C went to school for a master's degree
 - D couldn't design an accounting system

Listen again and complete the conversation.

Employee: I have your resume. It says you were a controller for four years.

Applicant: I was - at Benjamin Landon and associates.

Employee: And how did you like it?

Applicant: It was a good job. I left to go back to school and get a master's degree.

Employee: I see. So, tell me, what do you think are **1** _____ ?

Applicant: Honesty and integrity. I take my work seriously and **2** _____ from others.

Employee: OK. And what are your **3** _____ ?

Applicant: Um, I haven't designed a **4** _____ yet.

Employee: You didn't do that **5** _____ controller job?

Applicant: No. They had a system in place that they really liked, so I **6** _____ .

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

What do you think are your strengths?

What are your major weaknesses?

I haven't ...

Student A: You're interviewing a job applicant. Talk to Student B about:

- past experience
- strengths
- weaknesses

Student B: You are a job applicant. Answer Student A's questions.

Writing

Use the conversation from Task 8 to complete the interviewer's notes. Make up a name for the applicant.

Notes

Applicant's name: _____

Work experience: _____

Education: _____

Strengths/Weaknesses: _____

8.2 CASH AND LIQUIDITY

Get ready!

Before you read the passage, talk about these questions.

- 1 What does 'liquid' mean?
- 2 What are the most liquid assets?

Reading

Read the article from an accounting journal. Then, mark the following statements as true (T) or false (F).

- 1 _ Brand names are highly liquid assets.
- 2 _ Insufficient cash leads to unexpected expenditures.
- 3 _ The author suggests having a safety reserve of cash.

How Liquid is Your Company?

by Sarah Jacobs

Liquidity is a vital factor of your business's health. But what is liquidity? Liquidity refers to your company's ability to meet its obligations without selling assets. The least liquid assets are things like buildings and brand names. These assets take time to be converted to cash.

It is important to maintain a certain level of liquidity. **Excessive** cash balances are **unproductive**. But **insufficient** cash balances are dangerous. Every day, your business has cash **receipts** and **expenditures**. It is a bad idea to trust that your daily receipts are enough to cover your expenditures. You can't get by with a **zero cash balance**. Instead, maintain a **safety reserve** of cash. The best way to do this is to keep a cash account. This allows you to pay unexpected expenditures. It also sets you up for opportunities like investments or **buying out** competitors.

Vocabulary

Match the words (1-5) with the definitions (A-E).

1 _ liquidity

2 _ insufficient

3 _ receipts

4 _ excessive

5 _ buy out

- A an amount beyond what is needed
- B an asset's ability to be converted to cash
- C an amount that is less than what is needed
- D to purchase a company
- E things that are received

Fill in the blanks with the correct words and phrases:

expenditures, zero cash balance, unproductive, safety reserve.

1. Make sure there is enough cash to cover ____ .
2. Walter has been putting extra money into a ____ .
3. The company couldn't pay its bill because it had a ____ .
4. Keeping too much money in a cash account is ____.

Listen and read the article again. Why are cash accounts useful?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

1. What is the dialogue mostly about?
 - A how to generate revenue
 - B the importance of proper cash levels
 - C how to keep from being bought out
 - D how to avoid a zero cash balance
2. The woman thinks they should
 - A buy out a competitor
 - B invest to generate revenue
 - C operate with a zero cash balance
 - D prepare for unexpected expenses

Listen again and complete the conversation.

Accountant 2: I'm glad we have so much cash in reserve.

Accountant 1: Really? Don't you think it's excessive?

Accountant 2: Well, no. I think we need that **1** _____ in case something unexpected happens.

Accountant 1: What are you thinking of?

Accountant 2: Well, I heard that one of our competitors' sales are plummeting. Maybe we can **2** _____.

Accountant 1: I **3** _____. But in my opinion, it's not good to have that much cash **4** _____.

Accountant 2: You think it's unproductive?

Accountant 1: Exactly. Why not invest it in **5** _____ generate revenue?

Accountant 2: Hmm ... The way I see it, it's better to **6** _____ and prepared for unexpected expenses.

Accountant 1: Well, **7** _____ have a zero cash balance.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Don't you think it's excessive?

I see your point. But in my opinion ...

The way I see it ...

Student A: You're an accountant. Talk to Student B about:

- cash in reserve
- an excessive amount
- other ways to use it

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the conversation to complete the email. Make up names for the CFO and the CPA.

FROM: _____, CFO

TO: _____, CPA

RE: cash in reserve

I have a suggestion for a better use of the money that we currently have in reserve.

Thank you for considering my idea.

Cordially,

8.3 INTANGIBLE ASSETS

Get ready!

Before you read the passage, talk about these questions.

1. What are some assets that are not physical objects?
2. How do accountants record these assets?

Reading

2. Read the magazine article. Then, mark the following statements as true (T) or false (F).

- 1 _ Goodwill is a tangible asset.
- 2 _ Copyrights have no time limits.
- 3 _ Trademarks are protected by law.

Intangible Assets

You are familiar with tangible assets. Any physical object with value is a tangible asset. This includes computers, vehicles, and buildings. There are also assets that do not exist physically. These are **intangible assets**. **Patent rights, goodwill, and trade secrets** are intangible assets. They are not physical objects. But they are valuable.

There are two types of intangible assets:

Legal intangibles - The law protects these. Patents, **copyrights**, and **trademarks** are legal intangibles.

Competitive intangibles - The most important competitive intangible is called goodwill. This includes valuable factors like a company's reputation, popularity, and location.

Not all intangible assets last forever. For example, patents and copyrights expire. Accountants adjust for this by a process similar to depreciation. It is called **amortization**. They amortize the assets on a straight-line schedule. Other assets, like goodwill, have no time limit.

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 ____ trade secret
 - 2 ____ patent right
 - 3 ____ goodwill
 - 4 ____ copyright
 - 5 ____ amortization
- A the legal protection of an idea or invention
 - B the gradual reduction of the value of an asset
 - C knowlege such as recipes or designs
 - D the legal protection of written materials
 - E reputation, popularity, and location

Check (+) the sentence that uses the underlined parts correctly.

- 1 ____ **A** Wages and salaries are considered intangible assets.
 ____ **B** Andrew's new recipe is protected as a legal intangible.
- 2 ____ **A** Knowledge and experience are intangible assets.
 ____ **B** Recipes and formulas are protected by trademark law.
- 3 ____ **A** Location is a competitive intangible.
 ____ **B** Executive bonuses are considered legal intangibles.
- 4 ____ **A** Competitive intangibles protect against unfair competition.
 ____ **B** A company's symbol is protected as a trademark.

Listen and read the magazine article again. What does goodwill consist of?

Listening

Listen to a conversation between a controller and a potential buyer. Choose the correct answers.

1. What is the dialogue mostly about?
 A a company's location
 B a company's total value
 C a transfer of human capital
 D a group of loyal customers
2. Which of the following is NOT an intangible asset?
 A the company's location
 B the company's_ reputation
 C the company's annual sales
 D the company's regular customers

Listen again and complete the conversation.

Buyer: I have some questions about your company.

Controller: OK. I'd be happy to answer them.

Buyer: I see 1 ____ your company at one million dollars.

Controller: Right. That's what we 2 ____ from selling it.

Buyer: But you 3 ____ of \$500,000 per year. Why do you think the company's worth a million?

Controller: We 4 ____ of intangible assets.

Buyer: Really? 5 ____ ?

Controller: Well, our company 6 ____ this location for almost a hundred years.

Buyer: That's worth something. But in my opinion, it's not worth half a million.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

I have some questions about ...

We have a lot of intangible assets.

That's worth something. But in my opinion ...

Student A: You are considering buying a company. Talk to Student B about:

- its value
- tangible assets
- intangible assets

Student B: You are a controller at the company. Answer Student A's questions.

Writing

Use the conversation to complete the letter. Make up a name for the CPA.

To: James Kent, Owner, Kent Investments

Mr. Kent,

I spoke to the controller from Denver Toy Company. I recommend that you purchase the company. Here's why.

Sincerely,

_____, CPA

8.4 INTERNAL CONTROLS AGAINST MISTAKES AND THEFT

Get ready!

Before you read the passage, talk about these questions.

- 1 What are some crimes that take place in the accounting profession?
- 2 How can organizations guard against these crimes?

Reading

Read the article from an accounting journal. Then, choose the correct answers.

- 1 What is the passage mainly about?
 - A a famous kick-back case
 - B methods for avoiding crime
 - C falsification of personal records
 - D reasons why theft prevention fails
- 2 How can an organization prevent misappropriation?
 - A conduct nightly inventory audits
 - B have three managers approve write-offs
 - C require two signatures on cash disbursements
 - D match receiving reports with the packing slips
- 3 Which of the following is NOT an internal threat?
 - A pilfering

- B** kick-backs
- C** shoplifting
- D** misappropriation

Accountability in the Accounting Profession

Fraud, forgery, and embezzlement are entertaining when they happen in a detective movie. But in real life, they are serious problems. Businesses lose thousands of dollars every year to these crimes. This is one reason accounting requires so much paperwork.

Paperwork and other **accounting controls** are necessary. They minimize crime and **deceit**. Threats come from inside and outside a business. Even managers and other businesses must be held accountable. Customers shoplift. Suppliers short-ship. Managers accept **kick-backs**. How can these activities be prevented?

Here are a few important accounting controls.

- Require two signatures on any cash disbursement. This guards against **misappropriation**.
- Conduct surprise inventory audits. This helps to detect **pilfering** and **falsification** of records.
- Require two managers to approve any white-backs and fraud.
- Rotate employees. Instruct them to watch for suspicious activity.
- Match all receiving reports with the general ledger. This prevents short-counts.

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ embezzle
- 2 ___ falsification
- 3 ___ misappropriation
- 4 ___ hold accountable
- 5 ___ kick-back

- A** to take company resources for personal use
- B** the act of delivering money to the wrong recipient
- C** a bribe that is paid in return for favorable treatment
- D** the act of putting false information in company records
- E** to require that people be responsible for their actions

Read the sentence pair. Choose where the words best fit in the blanks.

1 fraud I accounting controls

Companies can fight crime using ____ .
 ____ is the act of gaining money by deceit.

2 forgery I shoplifting

It looked like Karen's signature, but it was a ____ .
 The store has security guards to watch for ____ .

3 deceit I pilfering

Falsification, lying, or any other ____ will get you fired.
 If the inventory is short, it's possible someone was ____ .

Listen and read the article again. What are some internal and external threats to a business?

Listening

Listen to a conversation between two accountants. Mark the following statements as true (T) or false (F).

- 1 _ Some employees were pilfering.
- 2 _ The general ledger contained an error.
- 3 _ The receiving clerks must write new purchase orders.

Listen again and complete the conversation.

Accountant 1: I just found out we have a major problem with inventory fraud.

Accountant 2: Really? How do you know?

Accountant 1: I compared the actual inventory to what is recorded in our general ledger. We're missing a lot of inventory.

Accountant 2: Oh, no. Do you think some of the employees are **1** _ _ ?

Accountant 1: That **2** _ _ _ _ the problem. I think some of the suppliers have been short-shipping.

Accountant 2: OK. What do you think we should do about it?

Accountant 1: **3** _ _ _ _ someone match every receiving report with the purchase orders?

Accountant 2: That's a good idea. And we can also have the receiving **4** _ _ _ _ of any shipments that are short of product.

Accountant 1: That **5** _ _ _ _ to me. I'll write a **6** _ _ _ _ about the purchase orders.

Accountant 2: All right. I'll **7** _ _ _ _ _ with the receiving clerks.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

I just found out we have a major problem with ...

Do you think some employees are ... ?

That doesn't seem to be the problem.

Student A: You are an accountant. Talk to Student B about:

- fraud
- who is committing it
- how to stop it

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the conversation to complete the memo.

MEMO

RE: preventing fraud

Here are some steps that we want everyone to take to prevent fraud.

8.5 AUDITING

Get ready!

Before you read the passage, talk about these questions.

- 1 Why do businesses get audited?
- 2 What are some of the problems that show up in audits?

Reading

Read this letter. Then, choose the correct answers.

- 1 What is the passage mainly about?
 - A the results of an audit
 - B how to make material adjustments
 - C the results of a meeting with the COO.
 - D problems with Thomas and Riley's books
- 2 What did Endless Magic's salespeople do?
 - A They made a clerical error.
 - B They falsified sales information.
 - C They made material adjustments.
 - D They showed professional skepticism.
- 3 What did the company do when it purchased new equipment?
 - A It depreciated the equipment.
 - B It capitalized its old equipment.
 - C It wrote off the purchase as an expense.
 - D It got advice from a government employee.

FROM: Patrick Stevens, Auditor, Thomas and Riley LLP

TO: Jack Riley, Thomas and Riley LLP

Mr. Riley,

I have completed my audit of Endless Magic Toy Company. Unfortunately, I cannot give a **clean opinion** of this company without **material adjustments** to the financial statements. I found a few **anomalous** entries in its books that should be attended to.

First, I noticed that the reported sales figures do not match the actual revenue. At first, I thought it could have been a simple **clerical error**. But then I recalled something I had read earlier about bonuses for sales people. Sure enough, it appears the sales people reported **erroneous** sales figures - sales that won't actually occur until next quarter. I believe they did this in order to surpass the bonus **cutoff point**.

The second **impropriety** that I found had to do with some new manufacturing equipment. As you know, these assets should have been **capitalized** and depreciated over their useful life. But someone chose to write the entire purchase price off as an expense. Any government tax department employee would see this immediately

in an audit.

I am surprised by the lack of **professional skepticism** on the part of Endless Magic Toy Company's internal auditor. I have a meeting with the **Chief Operating Officer** tomorrow, and I plan to discuss these issues with her.

Regards,

Patrick Stevens

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ anomalous
 - 2 _ cutoff point
 - 3 _ chief operating officer
 - 4 _ impropriety
 - 5 _ professional skepticism
- A a corporate executive in charge of operations
 - B the level that must be reached to receive some reward
 - C the critical attitude an auditor must have
 - D any activity that is unethical
 - E out of the ordinary

Fill in the blanks with the correct words and phrases from the word bank.

clean opinion clerical error erroneous capitalized material adjustments

- 1 It wasn't a deliberate falsification, just a(n) _____
- 2 Depreciable assets should be _____
- 3 The auditor gave the company a(n) _____ because of its accurate records.
- 4 Ben was fired for recording _____ sales figures.
- 5 They made _____ to correct the incorrect entries.

Listen and read the letter again. What was the auditor surprised by?

Listening

Listen to a conversation between an auditor and a COO. Mark the following statements as true (T) or false (F).

- 1 _ The woman capitalized her company's new machines.
- 2 _ The salespeople lied about reaching the cutoff point.
- 3 _ The woman doesn't want to follow GAAP.

Listen again and complete the conversation.

Auditor: Well, there are a few things we need to discuss.

COO: OK. 1 _____

Auditor: First of all, there seems to be a problem with the sales people 2 _____

COO: Wow. Are you sure about that?

Auditor: Yes, completely sure. 3 _____ actual revenue to the sales reports.

COO: Why would they do that?

Auditor: Well, it looks to me like they were 4 _____ that they 5 _____

COO: I'm definitely going to 6 _____. What else do we need to discuss?

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

I'm listening.

First of all, there seems to be ...

I'm definitely going to ...

Student A: You are a COO of a company that just got audited. Talk to Student B about:

- results of the audit
- false sales reports any activity that is unethical

Student B: You are an auditor. Answer Student A's questions.

Writing

You are an accountant. Use the letter and the conversation to write a brief letter to one of the company's executives about an audit that you performed. Talk about:

- whether or not you can give a clean opinion
- anomalous entries

UNIT 9 TAXATION

9.1 TAXES

Get Ready!

Before you read the passage, talk about these questions.

- 1 What are some different types of taxes?
- 2 How do accountants help with taxes?

Reading

Read the advertisement from an accounting firm. Then, mark the following statements as true (T) or false (F).

- 1 _ The firm works with both individuals and corporations.
- 2 _ The company does not fill out tax forms.
- 3 _ There is an additional fee for filing with the IRS.

That's the promise of Calvin Dean and Associated. We **specialize** in tax accounting. Our experienced accountants help you with all your tax accounting needs.

- **Corporate tax**

- **Sales tax**

- **Property tax**

- **Excise tax**

- **Inheritance tax**

- **Value-added tax**

In addition to individual and corporate accounting, we also offer income tax preparation services.

We assist you in filling out your **tax forms**. Then we will **file** them with **IRS** at no additional charge.

Call today to make an appointment.

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ corporate tax
- 2 _ property tax
- 3 _ file
- 4 _ sales tax
- 5 _ inheritance tax

A money that businesses pay to a government

B money that is paid to a government after a person dies

C a fee that local governments charge owners of real estate

D a fee that governments charge when goods are sold

E to submit documents to a government agency

Fill in the blanks with the correct words and phrases from the word bank.

value-added tax IRS excise tax specialize tax forms

- 1 In addition to paying taxes, people also have to file ____ _

- 2 The _____ is the U.S. agency in charge of taxation.
3 Accountants sometimes _____ in a certain type of accounting.
4 _____ is a fee for producing products like fuel and tobacco.
5 _____ is charged at each step in the manufacturing process.

Listen and read the advertisement again. Which area is Calvin Dean and Associates dedicated to?

Listening

Listen to a conversation between an accountant and her client. Choose the correct answers.

- 1 What is the dialogue mostly about?
A selling materials
B increasing sales tax
C describing new taxes
D explaining a type of tax
- 2 Value-added tax
A adds value to products
B was replaced by sales tax
C has not been adopted in the USA
D is applied when final products are sold

Listen again and complete the conversation.

Accountant: How are you today, Mr. Jackson?

Client: I'm good. Could you 1 ____ something for me?

Accountant: Sure. What is it?

Client: Well, I 2 _____ what value-added tax is. **Accountant:** It's like sales tax. When a company sells 3 or parts to another, they pay a tax. **Client:** So, does that 4 _____ my company?

Accountant: No. You only 5 _____ in the United States, which hasn't adopted a value-added tax yet.

Client: Oh, I see. So that's not something I need 6 ____

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Could you clarify something for me?

I have no idea what ... is.

It's ...

Student A: You are talking to an accountant. Talk to Student B about:

- value-added tax
- how it works
- if it applies to you

Student B: You are an accountant. Answer Student A's questions.

Writing

Use the conversation to fill out the email. Make up a name for the accountant.

FROM: Donald Benton, Manager

RE: value-added tax

What is value-added tax? Does it apply to us?

DB

[reply]

FROM: _____, Accountant

Mr. Benton,

Value-added tax is _____

Cordially,

9.2 VIABILITY

Get ready!

Before you read the passage, talk about these questions.

- 1 Why might one company buy out another?
- 2 How can a company decide whether a buyout will be profitable?

Balance Sheet

As of September 30th, 2011

Assets		Liabilities	
Cash	3,000	Accounts Payable	20,000
Accounts Receivable	2,000	Debts	60,000
Inventory	50,000	Total Liabilities	80,000
Fixed Assets	45,000	Owner's Equity	
		Total Equity	20,000
Total Assets	100,000	Total Liabilities and Equity	100,000

Get ready!

Before you read the passage, talk about these questions.

- 1 What things do companies buy and lease?
- 2 How can a company decide whether to buy or lease a particular item?

Reading

Read these emails. Then, mark the following statements as true (T) or false (F).

- 1 _ Valerie is looking for the funding for the buyout.
- 2 _ Derek disapproves of Valerie's plan.
- 3 _ Strong competitive forces already exist in San Gabriel.

From: Valery Harris, Head of Acquisition Department, Kyle and Long Enterprises
To: Derek Chapmen, CPA, Kyle and Long Enterprises

Derek,

I'd like to get your opinion on the **viability** of a potential **buyout** I've been working on. It's a medium-sized manufacturing **plant** located on the island of San Gabriel. We've already **raised the capital**. One of our regional managers has a great deal of **local knowledge**, as he is the son of San Gabriel immigrants. He'll be participating in this acquisition in an **advisory** capacity. I've attached some of the current owner's financial statements for you to review.

Thank you for your help.

Best wishes, Valerie

From: Derek Chapmen, CPA, Kyle and Long Enterprises

To: Valery Harris, Head of Acquisition Department, Kyle and Long Enterprises

Hi, Valery. Unfortunately, cant approve of this **venture**. I'm concerned that political instability in San Gabriel would cause problems with **the supply and distribution channels**. We simply can't take that risk.

The second issue I'd like to point out to you is that the current owner' inventory level is **astronomical** compared to cash and accounts receivable. It looks like the owner has produced a great deal of inventory and is having trouble selling it.

Thirdly, and finally, are you aware of the fact that one of major competitor just built a similar plant just forty kilometers to the east? In light of risk I mentioned above combine with this powerful regional competitor, I simply don't think it would be **cost effective** to proceed with this acquisition.

Respectfully Derek Chapman

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ viability
 - 2 _buyout
 - 3 _plant
 - 4 _ raise capital
 - 5 _ local knowledge
- A the act of purchasing a company
B a building used to manufacture something
C to gather money
D familiarity with a particular region
E the ability to succeed

Fill in the blanks with the correct words and phrases from the word bank.

**advisory astronomical supply and distribution channels venture
cost effective**

- 1 The company is raising capital for a new _____ .
- 2 Carter is a consultant. He is often hired for _____ positions.
- 3 The CPAs are analyzing whether the investment will be _____ .
- 4 By expanding _____ , a company can deliver products to more customers.
- 5 The company's struggles to pay its bills because its debt is _____ .

Listen and read the emails again. What has recently happened close to the factory Valerie proposes to buy?

Listening

Listen to a conversation between a CPA and an executive. Choose the correct answers.

- 1 What is the dialogue mostly about?
A the viability of a venture
B the company's responsibilities
C the viability of a local government
D the analysis of management techniques
- 2 What is the woman likely to do?
A go ahead with the buyout
B talk to government officials
C think more about the venture
D ask for another CPA's opinion

Listen again and complete the conversation.

HAD: Well, no. Honestly, I think you were 1 _____ in your analysis.

CPA: Really? Um, what did you disagree with?

HAD: Well, I 2 _____ you think political instability would affect our business.

CPA: Hmm ... well, sometimes corporations think if they 3 _____ politics won't affect them.

HAD: That's 4 _____. I mean, we aren't going to make any political statements.

CPA: But the thing is, if 5 _____ it could end up blocking supply and distribution channels.

HAD: OK, I see your point, but I'm not sure I agree.

CPA: OK. 6 _____ even if I'm wrong about the politics, there's still a problem with debt to equity.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

I think you were too conservative ...

What did you disagree with?

I don't understand why you think ...

Student A: You are the head of an acquisitions department. Talk to Student B about:

- a potential buyout
- political instability
- the viability of the business

Student B: You are a CPA. Answer Student A's questions.

Writing

You are CPA. Use the emails and the conversation to write a brief letter to the head of acquisitions explaining why you do not recommend going ahead with a buyout. Talk about:

- political conditions
- supply and distribution channels
- financial figures-debt, inventory, etc.

9.3 BUY OR LEASE?

Get ready!

Before you read the passage, talk about these questions.

- 1 What things do companies buy and lease?
- 2 How can a company decide whether to buy or lease a particular item?

Reading

Read this article in a business magazine. Then mark the following statements as true (T) or false (F).

- 1 Lessors often require a 25% down-payment.
- 2 The total cost of a lease is usually greater than the asset's value.
- 3 - Buying is a good way to get tax benefits through depreciation.

Buy or lease?

Periodically, every business needs new equipment or facilities. Very few have sufficient resources at their disposal to buy these items outright. There are typically only two options: **finance** the purchase or **lease** instead. How can you decide which option will be more profitable?

First, you should understand what a lease is and how it works. Basically, a lease is an agreement in which an owner, or **lessor**, allows someone else, a **lessee**, to use their equipment or property. In exchange, the lessee agrees to pay the lessor some agreed upon amount of money, usually more than the actual value of the property.

There are certain advantages to leasing. The most obvious is the fact that there is no **down-payment**. If you decide instead to purchase property, you will have to finance it. **Financiers** often require down-payments of 25% or more. Additionally, leases offer some protection against equipment obsolescence. If something becomes obsolete, you can simply stop leasing it. However, keep in mind that most leases have penalties for **early termination**.

Leasing also carries certain disadvantages. Although you have use of the property through most of its **useful life**, you lose its **economic value** at the end of the **lease term**. Furthermore, you can sometimes get greater tax benefits through depreciation if you buy instead of lease. You have to **run the numbers** to find out for sure.

Vocabulary

Match the words (1-5) with the definitions (A-E).

- | | |
|-----------------|------------------------|
| 1 ___finance | 3 ___useful hfe |
| 2 _lease | 4 ___early termination |
| 5 ___down-payme | |

- A an agreement in which one person pays to borrow another property
- B the act of ending a lease prematurely.
- C to borrow money in order to purchase something
- D the length of time in which an item can be use

Read the sentence pairs. Choose where the words best fit in the blanks.

- 1 financier / lease term
Payments will be made in monthly increments throughout the _____.
The _____ requires a 20% down-payment.
- 2 lessee / economic value
The _____ agrees to return the property in good condition.
Most products retain _____ even at the end of their useful lives.
- 3 run the numbers / lessor
_____ to see which deal would be better.
The _____ retains ownership throughout the lease term.

Listen and read the article again. What are the disadvantages of leasing something?

Listening

Listen to a conversation between an accountant and his client. Choose the correct answers.

- 1 What is the dialogue mostly about?
 - A reasons to lease or not
 - B how many vehicles to buy
 - C problems with the current lease
 - D why the woman needs vehicles
- 2 How can the woman maximize her liquidity?
 - A by selling fleet vehicles
 - B by leasing fleet vehicles
 - C by postponing her purchase
 - D by getting vehicles that last a long time

Listen again and complete the conversation.

Client: I really need to figure out 1 _____ my cash on hand.

Accountant: OK. So you need to have 2 _____ ?

Client: Right. But, the thing is, I also need to make 3 _____ fleet vehicles.

Accountant: Wow. Yeah, that 4 _____ a lot of your cash. What about leasing?

Client: Leasing? No, I don't want to 5 _____ on lease payments.

Accountant: Um, well, I'm not sure you really 6 _____ of leasing.

Speaking

With a partner, act out the roles below .Then switch roles.

USE LANGUAGE SUCH AS:

I really need to figure out

how to ...

So you need to have more ... ?

But the thing is, I also need to ...

Student A: You need to make a purchase but also maximize liquidity. Talk to Student B about:

- whether you should buy or lease

Student B: You are an accountant. Answer Student A's questions.

Writing

You are an accountant. Use the article and the conversation to write a brief email to you client recommending that he or she buy/lease new vehicles. Explain why. Talk about:

- advantages and disadvantages of buying
- advantages and disadvantages of leasing

9.4 TAX HAVENS

Get ready!

Before you read the passage, talk about these questions.

1. Do businesses and people pay higher taxes as they make higher profits in your country?
2. How can companies avoid paying taxes?

Reading

Read this advertisement. Then, mark the following statements as true (T) or false (F).

- 1 _ The Free Capital Association approves of progressive taxation.
- 2 _ Businesses that move to Haven Island will have to pay a flat tax.
- 3 _ Haven Island's government created the Free Capital Association.

Haven on Earth: he Best Place in the World to Move Your Do you Business!

Hundreds of people are convicted of **tax evasion** every year. Don't let it happen to you! Move your business to a place where it won't be punished for making a profit!

Haven Island is the perfect location from which to operate your business without fear of unfair **tax avoidance** laws. Our government refuses to **levy** any excessive taxes.

We won't impose extra fees on your business simply for being successful. Furthermore, we offer huge **tax breaks** to existing firms that wish to relocate here. But that's not all...

Do you live in a country with multiple **tax brackets**? Many people call such tax policies "**progressive taxation**" but we call it WRONG! That's why Haven Island has adopted a **flat tax** for all businesses and individuals. But wait; there's more ...

Do you prefer to stay in another country, but still want to invest in the prosperity that is Haven Island? Many countries impose fees or taxes on funds invested in a foreign country. That's why our biggest **business association**, The Free Capital Association, has decided to help **promote** investment by foreign firms. It has offered to pay at least 50% of your fees and taxes when you invest in a Haven Island company.

Vocabulary

Match the words (1-5) with the definitions (A-E).

1 _promote

2 _ tax evasion

3 _levy

4 _ business association

5 _ tax breaks

A to encourage or stimulate

B to impose something

C the act of avoiding paying money that is owed to a government

D a voluntary union of companies

E discounts that are designed to encourage certain behaviors

Fill in the blanks with the correct words and phrases from the word bank.

tax avoidance flat tax progressive taxation tax bracket impose

1 In an obvious case of _____, the CEO moved the company overseas.

2 Some countries _____ few taxes as a way to promote business.

3 With _____ citizens pay incrementally more as their income increases.

4 A _____ charges all tax payers at the same rate.

5 Harris paid more in taxes than Judy since he was in a higher _____

Listen and read the advertisement again. What incentive exists to invest in a company on Haven Island?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

1 What is the dialogue mostly about?

A implementing new tax laws

B increasing regional revenue

C an opportunity to pay less in taxes

D a law that gives tax breaks in the UK

2 What ethical concern does the man mention?

- A paying no tax on revenue
- B paying extremely low wages
- C abandoning the local workforce
- D giving tax breaks to only certain businesses

Listen again and complete the conversation.

Accountant 1: Yeah, it looks like the government of Haven Island is 1 _____ that.

Accountant 2: Good for them. 2 _____ do they have?

Accountant 1: Well, 3 _____ they also offer tax breaks to businesses that move there.

Accountant 2: Wow. 4 _____ move there.

Accountant 1: I 5 _____ the same thing.

Accountant 2: But, you know, I'm not sure that would be ethical.

Accountant 1: Why would it not be ethical?

Accountant 2: Well, there's 6 _____ that all our customers would still be here in the UK.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

What other policies do they have?

They also offer ...

Why would it not ... ?

Student A: You are an accountant. Talk to Student B about:

- a country with favorable tax policies
- whether or not to move your business to that country
- whether or not it would be ethical to take advantage of the country's tax policies

Student B: You are an accountant. Answer Student A's questions.

Writing

You are an accountant. Use the advertisement and the conversation to write an email to a coworker explaining why you think you should/should not move your business to Haven Island. Talk about:

- flat taxes
- tax breaks
- ethics

9.5 TAX ACCOUNTING

Get ready!

Before you read the passage, talk about these questions.

- 1 How do tax accounting firms find clients?
- 2 What are some selling points to mention when advertising an accounting firm?

Reading

Read this promotional literature for a tax accounting firm. Then, mark the following statements as true (T) or false (F).

- 1 _ Brandon Hicks and Associates doesn't contract out any of its work.
- 2 _ The board of accountancy created a tax review process used by the firm.
- 3 _ Tax accountants need at least five years' experience to work at the firm.

Filling out tax forms is **tedious** and often confusing. Why not let our experience and **expertise** work for you?

At Brandon Hicks and Associates, we know how important it is to prepare your taxes quickly, efficiently, and correctly. All of our CPAs have a minimum of five years' experience in individual and business tax accounting. But don't take our word for it. We highly recommend that you check with the **board of accountancy** to verify the status of our CPAs.

Not only will you benefit from our years of knowledge and experience, but you can also rest assured that you won't pay more than you have to. No matter how complex your situation, we guarantee to maximize your savings. All of our work is done **in-house** - nothing is **outsourced**. In addition, we have a proven **review process**. Every completed tax form is **evaluated** by a senior accountant before filing.

As important as accuracy is, we understand that privacy and security are equally important. And of course, we'll never share your personal information with **third parties**. Our **privacy policy** is among the strictest in the business. Your information will not be shared with anyone except our **quality assurance** personnel.

Vocabulary

Match the words (1-5) with the definitions (A-E).

- 1 _ third party
 - 2 _ expertise
 - 3 _ evaluate
 - 4 _ board of accountancy
 - 5 _ quality assurance
- A a great amount of knowledge and experience
B a governing body that verifies CPA credentials
C a division of employees that monitor a company's performance
D someone other than the two principal parties in an agreement
E to test or perform an assessment of something

Fill in the blanks with the correct words and phrases from the word bank.

review process in-house tedious outsource privacy policy

- 1 Doing repetitious paperwork can be very ____.
- 2 Accounting firms should have a ____ to ensure accuracy.
- 3 A ____ informs clients how their personal information will be handled.
- 4 Many companies ____ certain jobs to save money.
- 5 Some firms don't outsource; they perform all work ____.

Listen and read the promotional literature again. Who checks completed tax forms for accuracy?

Listening

Listen to a conversation between an accountant and a potential client. Choose the correct answers.

- 1 What is the dialogue mostly about?
 - A why the firm outsources
 - B changing an appointment
 - C correcting the woman's records
 - D a company's operational procedures
- 2 What did the woman's previous accountant do?
 - A went out of business
 - B made an error on her taxes
 - C failed to renew his credentials
 - D shared her personal information

Listen again and complete the conversation.

Accountant: That's correct. And you would be able to 1 ____ ____ ____ to the CPA working on your file .

Caller: OK. 2 ____ ____ ____ ? I think my old accountant got my name on some mailing list.

Accountant: Well, you definitely don't have to worry about that with us. We 3 ____ ____ ____ with third parties.

Caller: Is there a way I could 4 ____ ____ ____ of your CPAs?

Accountant: Yes, ma'am. In fact we encourage it. All you have to do is check with the accountancy board.

Caller: OK. It's just that I'm in a really 5 _____ ____ ____ right now.

Accountant: I understand. I guarantee we can handle it.

Caller: Well, I think I'd like to 6 _____ ____ ____

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

What about privacy?

Is there a way I could ... ?

I guarantee we can ...

Student A: You are calling an accounting firm. Talk to Student B about:

- the firm's privacy policy
- how to verify the status of the firm's CPA's

Student B: You are an accountant. Answer Student A's questions.

Writing

You are a potential client. Use the promotional literature and the conversation to write

notes about the accounting firm. Talk about:

- services the firm provides
- the firm's privacy policy
- the CPAs' credentials and experience
- whether or not the firm outsources

UNIT 10 FUTURE OF ACCOUNTING

10.1 THE FUTURE OF ACCOUNTING

Get ready!

Before you read the passage, talk about these questions.

- 1 What are some of the traditional jobs that accountants have worked?
- 2 What jobs will accountants do in the future?

Reading

Read this article in an accounting journal. Then, mark the following statements as true (T) or false (F).

- 1 _ There is a growing demand for accountants to check the work of auditors.
- 2 _ Accountants are required to work very strict schedules.
- 3 _ Accountants help attorneys and other professionals in the legal field.

American Accounting Journal - Issue 19, 20th Edition -Page 42

THE FUTURE of ACCOUNTING

Traditionally, accounting has been a relatively narrow profession. There were only a few potential career paths. Accountants generally worked in **public practice** for accounting firms, or as financial record-keepers in private businesses. But societal and economic changes are bringing new opportunities.

Many countries in the world have transitioned from manufacturing and production to a **service-based** economy. This shift is opening the doors to a variety of new opportunities. In addition to the traditional **attest services** accountants perform (such as **audit opinions**), accountants will be in greater demand in the following areas:

- Strategic Planning
- **Mergers**
- **Acquisitions**
- **Litigation Support**
- Financial Services/Investments
- Audit Fraud
- **Risk Assessment**
- **Electronic Commerce**

In addition to the broadening applications of accounting skills, the day-to-day working conditions are evolving as well. Technological advancements, particularly communications, allow accountants a great deal of **flex time** and **flex location**.

In conclusion, the prospects are bright. The opportunities are expanding. The working conditions are becoming more favorable. There is even a growing perception of accountants as business partners, rather than back-office bean counters. Indeed, numbers are the language of business; and no one is more fluent in that language than accountants.

Vocabulary

Match the words (1-6) with the definitions (A-F).

- 1 _ merger

- 2 _ acquisition
- 3 _ flextime
- 4 _ flex location
- 5 _ attest services
- 6 _ litigation support
- A tasks in which accountants offer their professional opinion
- B a joining of companies
- C a takeover of one company by another
- D the ability to work anywhere
- E accounting services within the legal profession
- F the ability to work any schedule

Fill in the blanks with the correct words and phrases from the word bank.

public practice service-based economy audit opinion risk assessment
electronic commerce

- 1 Before moving ahead with the merger, have a CPA perform a(n) _____
- 2 The accountant reviewed all the books and is ready to give her _____
- 3 In a(n) _____ knowledge is the most important asset an individual can have.
- 4 Most accountants still work in _____ jobs like tax preparation.
- 5 The Internet has created a whole new market of _____

Listen and read the article again. What has brought new opportunities for accountants?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

- 1 What is the dialogue mostly about?
 - A moving the office overseas
 - B new job opportunities in accounting
 - C problems resulting from globalization
 - D plans to merge with a partner company
- 2 How will involvement in risk assessment change the role of accountants?
 - A They will get promoted faster.
 - B They will likely earn higher bonuses.
 - C They will be involved in decision making.
 - D They will have more educational requirements.

Listen again and complete the conversation.

A2: Well, I feel that all the standardized rules will make our job tedious and boring.

A1: No, I disagree. Globalization is 1 _____ of new opportunities for accountants.

A2: 2 _____. We'll still be stuck in back offices 3 _____

A1: No, really, there are so many new career 4 _____ to us.

A2: What kind of options?

A1: Well, for example, a lot of companies are using accountants for things like risk assessment.

A2: Risk assessment? So does that mean 5 _____ in decision making?

A1: Uh-huh. I'm telling you, globalization is opening 6 _____

A2: Wow. That's great.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

Globalization is opening up ...

I doubt it. We'll still be stuck in ...

No, really, there are so many ...

Student A: You are an accountant. Talk to Student B about:

- the effect of globalization on accounting
- new career opportunities for accountants

Student B: You are an accountant. Answer Student A's questions.

Writing

You are an accountant. Use the article and the conversation to write a journal entry about your future goals as an accountant. Talk about:

- career opportunities
- your job preferences
- your career goals

10.2 GLOBALIZATION

Get ready!

Before you read the passage, talk about these questions.

1 What is globalization?

2 How does globalization affect accounting in your country?

Reading

Read this article from an accounting journal. Then, mark the following statements as true (T) or false (F) according to the passage.

- 1 _ Adjusting to global standards would be difficult for large businesses
- 2 _ Globalization may lead to the free exchange of ideas between countries.
- 3 _ Many businesses are already required to use the new global rules.

Should Accounting Rules Be Globalized?

by Harold Mays

The world is shrinking. Due to the **worldwide trend** of globalization, companies all over the world are interacting and doing business with one another. This has led many to suggest that there is a need for **globalized standards** in accounting. A few organizations, like the International Accounting Standards Committee (IASC) and the **International Accounting Standards Board (IASB)**, have already begun to design

such rules. Many businesses have voluntarily **adopted** these guidelines. Should these or other rules be **applied globally**?

Globalized accounting rules would carry certain advantages. Since this transition is probably **inevitable**, businesses must engage the global market if they wish to maximize their prospects. Indeed, globalization allows for the **free circulation** of capital as well as ideas and innovations. Furthermore, with standardized accounting, companies would be better able to make **strategic decisions** within the global economy.

However, globalization may carry certain disadvantages as well. It may be relatively easy and profitable for large corporations to adjust to globalized standards. But the adjustment would be more difficult for **mid-sized** and small businesses. They have fewer resources than the larger companies. Changing to a new standardized accounting system could be very costly for them. It would require new staff as well as training for existing staff.

Vocabulary

Match the words (1-5) with the definitions (A-E).

- | | |
|-----------------------|-------------------------|
| 1 _ inevitable | 4 _ mid-sized |
| 2. _ applied globally | 5 _ strategic decisions |
| 3 _ worldwide trend | |

A choices made to improve one's situation

B between large and small

C certain to happen

D used all over the world

E a pattern of behavior that happens everywhere

Fill in the blanks with the correct words and phrases:

free circulation, International Accounting Standards Committee (IASC), adopt, globalized standards.

- 1 The _____ has designed global accounting rules.
- 2 Many people want _____ instead of regional rules.
- 3 Globalization encourages _____ of ideas.
- 4 Businesses choose whether or not to _____ new rules.

Listen and read the article again. What would be the main benefit of global accounting rules?

Listening

Listen to a conversation between two accountants. Choose the correct answers.

- 1 What is the dialogue mostly about?
A training methods around the world
B global business regulations and licenses
C the cost of regulating a global economy
D advantages and disadvantages of global standards

- 2 The woman thinks globalized standards will
- A be implemented very quickly.
 - B encourage international business.
 - C cause growth in larger businesses.
 - D block the financing of small businesses.

Listen again and complete the conversation.

A 1: What? Are you kidding? It would be so much easier to work with companies from all over the world!

A 1: Yes, you're right that it would help large companies expand. But it would hurt smaller businesses.

A 1: I'm not sure what you mean.

A 1: Well, a new standardized accounting system would 1 ____ and probably new employees.

A 2: Yeah, it might cost a little to 2 _____. So what?

A 1: So small companies don't have as much money. 3 _____

A 2: OK. 4 _____, but I still think it would be good for business. It might take time for everyone to catch up.

A 1: Yeah, and some might never catch up.

A 2: You know, it 5 what we think anyway.

A 1: What do you mean?

A 2: 6 _____. I think it's inevitable.

Speaking

With a partner, act out the roles below. Then switch roles.

USE LANGUAGE SUCH AS:

It would be ...

It might cost a little ...

I see your point ...

Student A: You are an accountant. Talk to Student B about:

- the idea of global accounting standards
- advantages and disadvantages of global standards

Student B: You are an accountant. Answer Student A's questions.

Writing

You are an accountant. Use the article and the conversation to write a brief letter to the editor of an accounting journal. Talk about:

- a recent article saying globalized accounting standards are a good idea
- your opinion agreeing or disagreeing with the article

10.3. INTERNATIONAL ORGANIZATIONS

Get ready!

Before you read the passage, talk about these questions.

- 1 What are some examples of international organizations?

2 What are the functions and responsibilities of those organizations?

Reading

Read this page from a business textbook. Then, complete the table using information from the passage.

International Organizations

In the world of international business, international organizations often play important roles. Familiarity with these organizations' functions and responsibilities is crucial to an understanding of global finance.

Some organizations aim to affect trade around the world. The **International Monetary Fund (IMF)**, located in Washington D.C., aims to promote the expansion of international trade. The **World Trade Organization (WTO)** is based in Geneva, Switzerland. Its goals are to limit trade barriers, and improve the **Gross National Product (GNP)** of some member nations. The **North American Free Trade Agreement (NAFTA)** is an agreement between the United States, Canada, and Mexico. It limits trade restrictions between these countries. **OPEC** aims to protect the interests of countries that produce oil. The **Association of South East Asian Nations (ASEAN)** is a group of Southeast Asian nations who promote economic development throughout their region.

The **United Nations (UN)** was started after World War II. It aims to resolve international conflicts and maintain world peace. The **World Health Organization (WHO)**, an agency of the UN based in Geneva, is devoted to public health. The **European Union (EU)**, a union of European nations, aims to ensure the free passage of goods, people and capital throughout Europe. The **Group of 20 (G20)** includes heads of many of the world's central banks.

In addition to these organizations, numerous **multinational corporations** add to the **complexity** of the world economic scene

Organization	Objectives / responsibilities
IMF	1 _____
European Union (EU)	2 _____
3 _____	resolving conflicts, maintaining world peace
4 _____	protecting oil producing nations' interests

Vocabulary

Match the objective/responsibility with the correct organization.

- | | |
|---------|---|
| 1 WTO | A to ensure free movement of capital throughout Europe |
| 2 UN | B to limit international trade barriers |
| 3 WHO | C to co-ordinate efforts for public health |
| 4 EU | D to promote development in Southeast Asia |
| 5 ASEAN | E to protect the interest of countries that produce oil |
| 6 OPEC | F to maintain world peace |

Fill in the blanks with the words or phrases from the word bank.

GNP IMF NAFTA complexity Group of 20 multinational corporations

1. The _____ of the global economy makes changes difficult to predict.
2. The _____ of the United States is larger than its GDP.
3. _____ eases trade between the United States, Mexico, and Canada.
4. The _____ includes governors of several national banks.
5. Many _____ have production sites in more than one country.
6. The _____ is located in Washington D.C.

Listening

Listen to a conversation between a student and a professor. Mark the following statements as true (T) or false (F).

1. The UN has mainly financial objectives. _____
2. The EU was formed to create a single market in Europe. _____
3. The UN was responsible for creating the euro. _____

Listen again and complete the conversation.

Professor: In general, the UN promotes co-operation between nations. And it tries to establish standards for things like international law, and 1 _____.

Student: So its 2 _____ involve humanitarian issues?

Professor: Among other things, yes.

Student: And what about the 3 _____?

Professor: One main 4 _____ of the EU was to establish a single European market.

Student: What is the purpose of that?

Professor: Well, inconsistent laws from one country to the next were getting in the way of 5 _____.

Student: Is that why the EU created the euro?

Professor: Creating a 6 _____ was definitely part of developing a single market.

Speaking

With a partner, act out the roles below. Then, switch roles.

Student A: You are a professor. Talk to Student B about:

the United Nations

the European Union

objectives and responsibilities

Student B: You are a student. Talk to Student A about two international organizations.

Writing

Use the textbook page and the conversation to write a brief comparison between two international organizations. Include the reasons they were formed and responsibilities.

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