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# ENGLISH FOR THE FINANCIAL SECTOR

**Courses for Master students in Finance and Accounting**

**The academic year 2020/2021**

## INTRODUCTION

English for the financial sector is reading, speaking, and writing courses for learners of a master's degree in finance and accounting who need to understand and express the key concepts of finance and accounting and even other related areas of business and economics.

These courses aim to:

* present you with the language and concepts found in books, newspapers, magazine articles, and websites on finance and accounting.

* develop your comprehension of finance and accounting texts.

* provide you with opportunities to express finance and accounting concepts by reformulating them in your own words while summarizing and discussing ideas.

# Unit 1 Accounting and Financial Statements

## 1- Vocabulary

Search in finance and accounting lexicon on these terms:

Assets
Liabilities
Turnover
Depreciation (GB) or Amortization (US)
Creditors (GB) or Accounts Payable (US)
Debtors (GB) or Account Receivable (US)
Overheads (GB) or Overhead (US)
Earnings or Income Shareholders (GB) or Stockholders (US)
Shareholders (GB) or Stockholders (US)
Stock (GB) or Inventory (US)

Compare your findings with the definitions below:

1 a company's owners
2 the revenues received by a company during a given period, minus the cost of sales, operating expenses, and taxes
3 all the money that a company will have to pay to someone else in the future, including taxes, debts, and interest and mortgage payments
4 the amount of business done by a company over a year
5 anything owned by a business (cash investments, buildings, machines, and so on) that can be used to produce goods or pay liabilities
6 the reduction in value of a fixed asset during the years it is in use (charged against profits)
7 sums of money owed by customers for goods or services purchased on credit
8 sums of money owed to suppliers for purchases made on credit
9 (the value of) raw materials, work in progress, and finished products stored ready for sale
10 the various expenses of operating a business that cannot be charged to any one product, process or department

**2- Insert the 10 terms in the gaps in the following text.**

In accounting, it is always assumed that a business is a 'going concern', i.e. that it will continue indefinitely into the future - which means that the current market value of its fixed assets is irrelevant, as they are not for sale. Consequently, the most common accounting system is historical cost accounting, which records (1) ……………… at their original purchase price, minus accumulated depreciation charges. In times of inflation, this understates the value of appreciating assets such as land, but overstates profits as it does not record the replacement cost of plant or (2) …………….. .The value of a business's assets under historical cost accounting - purchase price minus (3) ………- is known as its net book value.

Countries with persistently high inflation often prefer to use current cost or replacement cost accounting, which values assets (and related expenses like depreciation) at the price that would have to be paid to replace them (or to buy a more modern equivalent) today.

Company law specifies that (4) ………. must be given certain financial information. Companies generally include three financial statements in their annual reports.

The profit and loss account (GB) or income statement (US) Shows (5) ……………… and expenditure. It usually gives figures for total sales or (6) ……………….and costs, expenses and (7) ……………………. . The first figure should obviously be the highest, i.e. there should be a profit. Part of the profit goes to the government in taxation, part is usually distriouted to shareholders (stockholders) as a dividend, and part is retained by the company.

The balance sheet shows a company's financial situation on a particular date, generally the last day of the financial year. It lists the company's assets, its long-term and Short-term (8) ……………, and shareholders' (stockholders') funds. A business's assets include (9) …………….. as it is assumed that these will be paid. Companies also have intangible assets, whose value is difficult to quantify or turn into cash, such as goodwill, patents, copyrights and trade marks. Liabilities include (10) …………………, as these will have to be paid. Long-term liabilities are usually loans and bonds; short-term liabilities include accrued or accumulated expenses that have not yet been paid such as taxes and interest. Negative items on financial statements, such as creditors, taxation, and dividends paid, are either enclosed in brackets or preceded by a minus sign.

In accordance with the principle of double-entry bookkeeping (that all transactions are entered as a credit in one account and as a debit in another), the basic accounting equation is Assets = Liabilities + Owners' (or Shareholders') Equity. This can be rewritten as Assets - Liabilities = Owners' Equity or Net Assets. This includes share capital (money received from the issue of shares), share premium (GB) or paid-in surplus (US) (any money realized by selling shares at above their nominal value), and the company's reserves, including retained profits from previous years. Shareholders' equity or net assets are generally less than a company's market capitalization (the total value of its shares at any given moment, i.e. the number of shares times their market price), because net assets do not record items such as goodwill.

The third financial statement has various names, including the funds flow statement, source and application of funds statement (GB), and the statement of changes in financial position (US). This shows the flow of cash in and out of the business between balance sheet dates. Companies often distinguish between operating activities, and financing and investment activities. Sources of funds include trading profits, depreciation provisions, sales of assets, borrowing, and the issuing of shares. Applications of funds include purchases of fixed or financial assets, payment of dividends, repayment of loans, and - in a bad year - trading losses.

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3- Ian Mackenzie, English for Business Studies, Publisher: Cambridge University Press, Year: 2002.