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ENGLISH FOR THE FINANCIAL SECTOR

Courses for Master's Degrees in Finance and Banks

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INTRODUCTION

English for the financial sector is reading, speaking, and writing courses for undergraduate students 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.

A- Assets, liabilities and capital

Balance Sheet, 31 December 20__ (\$'000)

Current assets	3,500	Liabilities	6,000
Fixed assets	6,500	Shareholders' equity	4,000
Total assets	10,000	Total liabilities and Shareholders' equity	10,000

Company law in Britain, and the Securities and Exchange Commission in the US, require companies to publish annual balance sheets: statements for shareholders and creditors. The balance sheet is a document which has two halves. The totals of both halves are always the same, so they balance. One half shows a business's assets, which are things

owned by the company, such as factories and machines, that will bring future benefits. The other half shows the company's liabilities, and its capital or shareholders' equity (see below). Liabilities are obligations to pay other organizations or people: money that the company owes, or will owe at a future date. These often include loans, taxes that will soon have to be paid, future pension payments to employees, and bills from suppliers: companies which provide raw materials or parts. If the suppliers have given the buyer a period of time before they have to pay for the goods, this is known as granting credit. Since assets are shown as debits (as the cash or capital account was debited to purchase them), and the total must correspond with the total sum of the credits — that is the liabilities and capital — assets equal liabilities plus capital (or $A = L + C$).

American and continental European companies usually put assets on the left and capital and liabilities on the right. In Britain, this was traditionally the other way round, but now most British companies use a vertical format, with assets at the top, and liabilities and capital below.

BrE: balance sheet

AmE: balance sheet or statement of financial position

BrE: shareholders' equity;

AmE: stockholders' equity

B- Shareholders' equity

Shareholders' equity consists of all the money belonging to shareholders. Part of this is share capital — the money the company raised by selling its shares. But shareholders' equity also includes retained earnings: profits from previous years that have not been distributed - paid out to shareholders — as dividends. Shareholders' equity is the same as the company's net assets, or assets minus liabilities.

A balance sheet does not show how much money a company has spent or received during a year. This information is given in other financial statements: the profit and loss account and the cash flow statement.

Comprehension:

Are the following statements true or false? Find reasons for your answers in A and B opposite.

- 1- British and American balance sheets show the same information but arranged differently.
- 2- The revenue of the company in the past year is shown on the balance sheet.
- 3- The two sides or halves of a balance sheet always have the same total,
- 4- The balance sheet gives information on how much money the company has received from sales of shares,
- 5- The assets total is always the same as the liabilities total.
- 6 The balance sheet tells you how much money the company owes.

Exercise:

Complete the sentences. Look at A and B opposite to help you.

1.....are companies that provide other companies with materials, components, etc.

2.....are profits that the company has not distributed to shareholders.

3.....are things a company owns and uses in its business.

4..... consist of everything a company owes.

5.....consists of money belonging to a company's owners.