Professional English
Accounting
Alison Pohl
Series Editor: Nick Brieger
Contents

To the student

Section 1 The basics
- Accounting
- Introducing accounting 1
- Facts and figures
- Introducing accounting 2
- Phrases
- Expressing change
- Prepositions of change
- Technology
- Computing

Section 2 Fundamentals of financial accounting
- Banking
- Cash accounts
- Trading account
- Buying and selling
- Adjustments
- Making changes
- Profit and loss
- Profit and Loss Account
- End of year: confusing words

Section 3 Business organization
- Personal contacts
- Telephoning
- Businesses
- False practices: word building

Section 4 Financial accounting
- Earnings: word building
- Taxes
- Taxation
- Depreciation
- Depreciating: phrasal verbs
- The work of the auditor: prepositional phrases
- Auditing

Section 5 Financial statements and ratios
- Ratios 1
- Ratios 2
- The Balance Sheet
- Valuation of stock
- Goodwill
- Accounting policy
- Funds

Section 6 Costing
- Costs
- Cost analysis
- Manufacturing costs
Section 7 Planning and control
- Company expansion: formal verbs
- New markets: prepositions 2
- Planning information
- Budgeting
- Variances
- Control

Section 8 Decision making
- Performance: phrasal verbs 2
- Break-even analysis
- Presenting the results
- Pricing
- Confusing words 2
- Investment
- Decisions: word building 4

Answers
Word list
To the student

Do you use English in your work or as part of your studies? You may be a professional accountant, a student or have an interest in accounting as part of your job. Whatever your background, the tests in this book will help you improve your knowledge of accountancy terms in English. They cover all the most important vocabulary and expressions to really help you communicate more effectively and confidently when working in English.

The book has been divided into eight sections. The first section is an introduction to general accountancy terms and concepts. The other seven sections deal with important topic areas in the field of financial accounting and management accounting, including business organization, costing, and financial statements and ratios. You may choose to work through the book from beginning to end or may find it more useful to select tests according to your interests and needs.

Many tests also have tips (advice) on language, language learning and professional information. Do read these explanations and tips; they are there to help you.

To make the book more challenging and more fun, many different kinds of tests are used, including sentence transformation, gap-filling, word families, multiple choice and crosswords. There is a key at the back of the book so that you can check your answers; and a word list to help you revise key vocabulary.

Vocabulary is an important part of language learning and this book will help you to develop your specialist vocabulary. When you are learning vocabulary, notice how words are used (grammar) and when they are used (context). Decide whether you only need to recognize certain items of vocabulary or whether you will actually need to use the words yourself at a later date. If you need to use words yourself, it is useful to practise making sentences of your own using the new words. The tests in this book provide a structured and systematic way for you to check what you already know, and to increase your knowledge of new concepts and terms.

Alison Pohl
The full series consists of:

Test Your Professional English: Accounting
Test Your Professional English: Business General
Test Your Professional English: Business Intermediate
Test Your Professional English: Finance
Test Your Professional English: Hotel and Catering
Test Your Professional English: Law
Test Your Professional English: Management
Test Your Professional English: Marketing
Test Your Professional English: Medical
Test Your Professional English: Secretarial

Alison Pohl
Steve Flinders
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Nick Brieger
Simon Sweeney
Simon Sweeney
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Accounting

Fill in the missing words in the sentences below. Choose from the box. You will need to use each word more than once.

account    accounts    accountant    accounting    accountancy

- Can you check that the figures have been entered correctly in the bank account?
- He's at university studying accountancy.
- The management of the company have not yet decided on their accounting policies.
- A bookkeeper writes details of financial transactions in the accounts.
- Most people in the profession read accounting magazines and journals in order to stay informed.
- She's been working as an accountant with this firm for several years now.
- The directors of the company approve the accounts at the end of the financial year.
- The chief accountant has completed the draft accounts for this year.
- Each branch maintains its own full accounting system.
- They have opened an account for the consignment to Bombay.
- Accounting is really not an exact science.
- A business manager needs some knowledge in order to understand what he reads in the company accounts.
Introducing accounting 1

Complete the following words.

- This company has supplied goods but has not received any money for them yet. **CREDIT**
- Companies make this when they sell their goods for more than it costs them to make them. **P T**
- Companies make this when they sell their goods for less than it costs them to make them. **L S**
- Goods which are bought by the company. **P E S**
- Goods which the company has available to sell. **S K**
- An amount of money which is taken out of an account. **W D L**
- Customers who have received goods but not paid for them yet. **D R S**
- A reduction in the price which is offered to customers. **D C T**
- This is the name of the difference between the credit and debit sides of an account. **B E**
This is drawn up to check that the two sides of the accounts are the same.  \[ T \_ \_ \_ L B \_ \_ \_ E \]

The cost of transporting goods is called this.  \[ C \_ \_ \_ G E \]

The official books for keeping accounts.  \[ L D \_ \_ S \]

Sell goods for more than it costs to make them.
3 Facts and figures

Identify which mathematical term (a–i) describes the examples (1–9).

- 74%  
- $f = \sqrt[2]{2YV}$  
- 000's 000's
  - Jan 2.4 July 3.5
  - Feb 2.5 Aug 4.7
  - Mar 3.9 Sept 6.9
  - April 4.6 Oct 6.3
  - May 3.4 Nov 6.8
  - June 3.6 Dec 3.4
  - Monthly .................. $= \frac{4.33}{2}$

- $1,623 + 3,004 = 4,627$
- $302 \times 6.2 = 1,872.4$
- $9,260 - 1,111 = 8,149$
- $\frac{1,505}{5} = 301$

- Direct costs 724
  - Indirect costs 200
  - Costs
    - Direct : Indirect $= 3.62$

- £12.24/hour

4 Section 1: The basics
Complete the following words.

- This is the name for buildings, machinery, money in the bank and money owed by customers. **ASSETS**

- The loss of value of the things in number 1. **DEPRECIATION**

- Money which is borrowed. **LIABILITY**

- The extra money a company or person pays for borrowing money. **INTEST**

- The total sum of money which is supplied by the owners of a company to set it up. **CAPITAL**

- Cash or goods which the owner takes from the company for his own private use. **DIVIDENDS**

- These are bought by people wishing to invest in the company. **SHARES**

- The extra amount which is paid for a company above the value of its assets. **GOODWILL**

- The purchase of another company. **ACQUISTION**

- An official examination of the accounts. **ACCOUNTING**

- A financial plan for the future. **BUDGET**

- A statement of the financial position of the company. **BALANCE SHEET**
Phrases

What are the meanings of the phrases in bold in the sentences (1−10) below? Choose the correct definition from the list (a−j) on the right. Write your answers in the grid below.

- How do you **account for** the sudden fall in the stock value?
  - **a** people say

- Agents buy and sell goods **on their own account**.
  - **b** report

- They gave the solicitor a detailed **account** of the customer’s business deals in the last year.
  - **c** under no circumstances

- The draft accounts had to be adjusted **on account of** the discovery that a major debtor had gone bankrupt.
  - **d** consider

- Raw materials **account for** 30% of the manufacturing cost.
  - **e** explain

- They are regular customers in this shop and are now able to buy **on account**.
  - **f** big customers

- **On no account** should these figures be released before the board meeting.
  - **g** for themselves

- When making decisions for the future the managers have to **take** this year’s poor performance **into account**.
  - **h** because of
By all accounts, they will benefit greatly if the deal goes through.

The advertising company has won two new accounts in South Africa.

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>e</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

They gave the solicitor a detailed account of the customer’s business deals in the last year.
Expressing change

Here are thirty verbs/verb phrases which are used to express changes. Which words could be used to describe the change or movement in each graph? Write the phrases in the column below the appropriate graph. The number of spaces shows the number of phrases for each.

| be stable | decrease |
| deepen | descend |
| diminish | deteriorate |
| dwindle | drop |
| fall | expand |
| improve | hold firm |
| maintain same level | jump |
| remain constant | reduce |
| rocket | rise |
| slump | slow down |
| soar | suffer |

It's soaring!

8 Section 1: The basics
Prepositions of change

Fill in the missing prepositions in the sentences below. Choose from the box.

at  between  by  from  of  to

- Labour costs have fallen **from** 22% of total production costs **to** 14% in the last ten years. That's 8%!
- There was a dramatic fall in sales to the USA **between** 1997 and 2000.
- The company is currently selling 20,000 units **of** £23 each.
- The growth in sales has led to a rise **of** 30% in profits.
- A 10% drop in sales has reduced the profit **by** 40%.
- During 1999/2000 we increased retail floor space **to** a total **of** 48,000m².
- They expect to create 1,450 jobs worldwide **by** the end of next year, at the latest.
- Capital investment for the year stands **at** £6,000.
- Pre-tax profits reached a peak **of** $5m two years ago but have been lower since.
- Weekly sales have levelled off **at** £34,000.
- Increased efficiency has resulted in a lowering of the break-even point from 2,770 **to** 2,500 units.
- The rise in raw material prices is expected to be **at** 3.5% and 4.5% this year.
Technology

Look at the drawings below and write the numbers 1–14 next to the correct word or phrase.

<table>
<thead>
<tr>
<th>6</th>
<th>CD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>calculator</td>
</tr>
<tr>
<td>2</td>
<td>eraser</td>
</tr>
<tr>
<td>3</td>
<td>floppy disk</td>
</tr>
<tr>
<td>4</td>
<td>laptop computer</td>
</tr>
<tr>
<td>5</td>
<td>mouse</td>
</tr>
<tr>
<td>7</td>
<td>paper and pencil</td>
</tr>
<tr>
<td>8</td>
<td>computer monitor</td>
</tr>
<tr>
<td>9</td>
<td>fax machine</td>
</tr>
<tr>
<td>10</td>
<td>keyboard</td>
</tr>
<tr>
<td>11</td>
<td>mobile phone</td>
</tr>
<tr>
<td>12</td>
<td>pager</td>
</tr>
<tr>
<td>13</td>
<td>printer</td>
</tr>
<tr>
<td>14</td>
<td>personal computer</td>
</tr>
</tbody>
</table>

Section 1: The basics 11
Complete the crossword.

Across

1. This software system allows the user to structure the way information is stored and makes it easy to find and use this information when required.
2. The main computer when several computers are working together.
3. Send on an e-mail you have received to someone else.
4. Put in the new software programme.
5. A company on the internet has its own ________.

12 Section 1: The basics
Use this to enter pictures, photos or graphs.

A problem in the software.

Do this regularly so that you don’t lose important information.

When you’re writing an e-mail you don’t need to be connected to the telephone; you can work _____.

A document which is sent together with an e-mail.

While you are looking for information on the internet you work _____.

You will have to _____ your records if a customer or supplier changes an address, telephone number, or credit details.

Do this if you want to store the information.

Down

Information stored on the computer is called _____.

This will help you find the information you want on the world wide web.

Take information from the world wide web so you can save or print it.

You do this if you spend time looking on the internet.

Unwanted e-mails.

Several computers may be joined together in a _____.

This software package is used for working with numerical information.

Bring data from other sources or goods from another country!

Remove numbers, letters or whole text.

One of these in the system could destroy everything.
### Banking

Take one word from the left-hand column and one from the right to complete each of the following sentences.

<table>
<thead>
<tr>
<th>-account</th>
<th>bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>bank (2)</td>
<td>book</td>
</tr>
<tr>
<td>base</td>
<td>cash</td>
</tr>
<tr>
<td>central</td>
<td>charges</td>
</tr>
<tr>
<td>cheque</td>
<td>code</td>
</tr>
<tr>
<td>overdraft</td>
<td>facility</td>
</tr>
<tr>
<td>sort</td>
<td>number</td>
</tr>
<tr>
<td>standing</td>
<td>order</td>
</tr>
<tr>
<td>withdraw</td>
<td>rate</td>
</tr>
<tr>
<td></td>
<td>statement</td>
</tr>
</tbody>
</table>

- All correspondence with the bank must include the company **account** **number**.
- The company **__________** **__________** should be kept in a safe place when not being used.
- The office needed money, so had to **__________** **__________** from the account.
- Each branch of the bank has its own unique **__________** **__________**.
- The bank will set **__________** **__________** which are payable for each transaction carried out by the bank.
Interest rates are calculated as a small percentage above ______ ______.

The _______ in Britain is the Bank of England and in Germany it's the Bundesbank.

The bank can be asked to pay the rent for the building automatically every month by ______ ______.

The _______ each month lists all the money which has gone into and out of the account.

The company has negotiated an _______ which allows them to spend more than they actually have in the account.
Cash accounts

Fill in the missing words or phrases in the sentences below. Choose from the box.

<table>
<thead>
<tr>
<th>authorization</th>
<th>batch</th>
<th>beneficiary</th>
<th>brought</th>
<th>cleared</th>
</tr>
</thead>
<tbody>
<tr>
<td>contra</td>
<td>discrepancies</td>
<td>petty cash</td>
<td>remitter</td>
<td>threshold</td>
</tr>
</tbody>
</table>

- Small amounts of money which are paid out for things such as petrol, soap and bus fares are usually recorded in the __**petty cash**__ book.
- The account which receives payment is known as the ______ while the account sending payment is the ______ .
- Each single movement of money in the account is known as a ______.
- At the beginning of each month the balance from the previous month is recorded at the top of the account as ______ forward and at the end of the month as balance ______ forward.
- The bank statement should be checked against the cash book to make sure the figures are the same and that there are no ______.
- When several payments are made by computer banking they are normally transmitted to the bank together in a ______.
- If double entry has taken place within the cash book the item does not need to be entered in another book as double entry and the item is known as a ______.
- When a cheque is received and paid into an account it will be debited to the account once it has been ______.
- Before instructions can be transmitted to the bank it is necessary to have ______ from one, two or possibly three executive officers.
- There will normally be a maximum amount of money which can be transferred from an account and this is known as the ______.
Trading account

Fill in the missing words in the document below. The first one has been done as an example. Choose from the following.

<table>
<thead>
<tr>
<th>amount</th>
<th>description</th>
<th>dispatch</th>
<th>invoice</th>
<th>quantity</th>
<th>tax point</th>
<th>terms</th>
<th>trade discount</th>
<th>unit price</th>
<th>value added tax</th>
</tr>
</thead>
</table>

Joe Small Ltd  
Main Industrial Estate  
Anytown

to: N Tees Ltd  
24 High Street  
Newtown

(1) **invoice** No.0066798  
(2) ________ 14 January 20__  
Customer Account No. T648331  
(3) ________ 12 January 20__

<table>
<thead>
<tr>
<th>item no</th>
<th>(4) _____</th>
<th>(5) _____</th>
<th>(6) _____</th>
<th>(7) _____</th>
</tr>
</thead>
<tbody>
<tr>
<td>P245</td>
<td>file cards</td>
<td>3 packs</td>
<td>3.50</td>
<td>10.50</td>
</tr>
<tr>
<td>T479</td>
<td>A4 paper</td>
<td>10 reams</td>
<td>2.80</td>
<td>28.00</td>
</tr>
<tr>
<td>AX311</td>
<td>pencils</td>
<td>5 boxes</td>
<td>1.20</td>
<td>6.00</td>
</tr>
</tbody>
</table>

Total goods 44.50

(8) __________ 8.90

35.60

(9) __________ 3.56

Total 39.16

(10) __________: 30 days net
Buying and selling

Choose the correct word in each of the following.

☐ The book/file which contains a list of all company sales arranged by date is known as the _sales day book_.
  a) sales account  b) sales card  c) sales invoice  d) sales day book

☐ A ____________ is not recorded in double entry.
  a) cash discount  b) refund  c) trade discount  d) cash sale

☐ Faulty goods which are sent back to the supplier by the customer are known as ____________.
  a) returns  b) provisions  c) recovers  d) discounts

☐ A ____________ system should make sure that debtors do not owe too much money.
  a) quality control  b) credit control  c) credit note  d) credit transfer

☐ A company sells goods on credit, but if customers never pay for these goods the money owing is known as ____________.
  a) bad debts  b) debits  c) bad payment  d) bankrupts

☐ The estimated expense of not being paid by debtors is known as a/an ____________.
  a) allowance  b) devaluation  c) proviso  d) provision

☐ If you calculate different percentages for debts which have been owing for different lengths of time, you can prepare a/an ____________ schedule of debtors.
  a) progressive  b) ageing  c) reducing  d) increasing

☐ In many countries a tax is added to the price of goods and services, but some goods may be ____________ and no tax is due.
  a) exempt  b) exceptional  c) excused  d) uncovered

☐ At the end of an accounting period, details of tax collected and tax paid are given to the authorities on an official form called a ____________.
  a) statement  b) declaration  c) return  d) confirmation
14 Adjustments

Match the following examples with the correct word or phrase from the box. Write the correct number in the spaces in the box.

- error of omission
- journal
- error of original entry
- error of principle
- an undercast account

- compensating error
- error of commission
- an overcast account
- reversal of entries
- ___ ___ ___ ___ ___

- Magda Glyda has added up the figures to produce a figure which is less than it should be.
- The sales account and the purchases account were both added up wrongly by the same amount.
- Maria Gonzalez forgot to record the transaction in the accounts.
- Reinhardt Mann recorded the purchase of the lorry in the purchases account but it was a fixed asset.
- Pierre Barber has corrected the error and recorded it in this book.
- Anna Benelli made a mistake in the invoice but entered the same figure in both the sales and the customer's accounts.
- Lesley Brunovsky entered the correct amount in the correct accounts but as a debit where it should have been a credit, and a credit where it should have been a debit.
- Garry Blues has added up the figures wrongly to produce a total which is greater than it should be.
- Theo Koch entered the correct amount but in the wrong customer's account.
Making changes

Here is a letter from a firm of accountants to a client. Complete the letter by inserting the missing phrases. Choose from the box below.

- adjustments
- the audited accounts
- ended 30 April 2002
- do not hesitate to contact
- with the final accounts
- accumulated
- change
- the bank overdraft
- cheque for £2,500
- provision for bad

Dear Mr Lee
We have pleasure in enclosing five copies of the full accounts for the period (1) [C] .
We are also sending you a list of the adjustments which you need to make to your Nominal Ledger so that the opening balances at 1 May 2002 agree with (2) [ ].

- Please put in the details of a (3) [ ] drawn in December 2001 for Customs and Excise into bank payments. These details are missing so the Nominal Ledger understates (4) [ ].
- Increase bank payments by £185.20 and code it direct to purchases. This will cover various small differences which have (5) [ ] over the years.
- Make new Nominal Ledger code headings for (6) [ ] debts.
- (7) [ ] the present code headings for plant and equipment at cost to 0011.

We feel it is better to separate the cost and depreciation of the fixed assets in the Nominal Ledger to make it easier to compare (8) [ ]. It also makes it easier to find any (9) [ ] which have been made.

If you have any problems with these changes or would like to discuss them further, please (10) [ ] us.

Yours sincerely

Lydia Triff

20  Section 2: Fundamentals of financial accounting
To Profit and loss

Fill in the missing words in the sentences below. Choose from the box.

administrative expenses  cost of sales  distribution  dividend
extraordinary  ordinary  retained  turnover

- As AZ Designs Ltd is a small printing company, all their printing contracts are known as ordinary activities.
- Recently, a film company paid AZ Designs a large amount of money to use the company’s premises when they were making a film. This was recorded in the Profit and Loss Account as __________ income.
- Income which the company makes in its normal activities is known as __________.
- At the end of the year, some of the profits may be shared out among the shareholders who will receive a __________.
- The costs of getting the goods to the customers are shown as __________ costs in the Profit and Loss Account.
- Materials which are used up in manufacturing and workers’ wages are recorded as __________.
- The secretary’s salary and expenses incurred in the office are shown as __________.
- The company may decide to keep some of the profits at the end of the year and the amount is shown as __________ profits.
Match the items (1–10) with the entries (a–j) from a Trading and Profit and Loss Account.

### Trading and Profit and Loss Account

<table>
<thead>
<tr>
<th>£000's</th>
<th></th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4</strong></td>
<td>Turnover</td>
<td>900</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>550</td>
<td></td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>350</td>
<td></td>
</tr>
<tr>
<td><strong>Distribution costs</strong></td>
<td>60</td>
<td></td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td>45</td>
<td>105</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>55</td>
<td>300</td>
</tr>
<tr>
<td><strong>Income from shares in related companies</strong></td>
<td>15</td>
<td></td>
</tr>
<tr>
<td><strong>Income from other fixed asset investment</strong></td>
<td>20</td>
<td></td>
</tr>
<tr>
<td><strong>Other interest receivable</strong></td>
<td>10</td>
<td>45</td>
</tr>
<tr>
<td><strong>Interest payable</strong></td>
<td>18</td>
<td>345</td>
</tr>
<tr>
<td><strong>Profit on ordinary activities before taxation</strong></td>
<td>327</td>
<td></td>
</tr>
<tr>
<td><strong>Tax on profit on ordinary activities</strong></td>
<td>109</td>
<td></td>
</tr>
<tr>
<td><strong>Profit on ordinary activities after taxation</strong></td>
<td>218</td>
<td></td>
</tr>
<tr>
<td><strong>Extraordinary income</strong></td>
<td>18</td>
<td></td>
</tr>
<tr>
<td><strong>Tax on extraordinary profit</strong></td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td><strong>Profit for the financial year</strong></td>
<td>230</td>
<td></td>
</tr>
<tr>
<td><strong>Retained profits from last year</strong></td>
<td>40</td>
<td>270</td>
</tr>
<tr>
<td><strong>Transfer to general reserve</strong></td>
<td>60</td>
<td></td>
</tr>
<tr>
<td><strong>Proposed ordinary dividend</strong></td>
<td>130</td>
<td>190</td>
</tr>
<tr>
<td><strong>Retained profits carried to next year</strong></td>
<td>80</td>
<td></td>
</tr>
</tbody>
</table>
The value of stock at the end of the year has been deducted to arrive at this figure.

Bank interest on the overdraft.

Dividends from investments in shares with voting rights in other companies.

Net invoiced amounts for sales.

This year's profits which will not be paid out to investors.

The delivery drivers' wages.

Money received for rent on buildings which have been let for a short time as they are not being used.

This money will probably be paid out to shareholders.

Telephone, stationery and legal fees.

An overprovision for corporation tax from last year.
End of year: confusing words

Look at the words in italic in each of the following sentences and choose the correct one.

- On the first day of the new financial year, the company counts and records all the materials, parts, machines, stationery etc. in the annual stockpile.<sup>stock-take</sup>.

- New regulations mean that the accountants must publicize/publish the Trading and Profit and Loss Account in one of four formats/formations.

- If the information in the Trading and Profit and Loss Account is only for insider/internal use, the company can decide to present the information as it wishes.

- The law states how much information must be disclosed/enclosed in the Trading and Profit and Loss Account.

- This company's turnover is descended/derived from the sale of manufactured goods.

- The notes which are appended/adhered to the Trading and Profit and Loss Account explain how the figures have been compiled.

- The company wishes to approximate/apportion Motor Expenses equally between Distribution Costs and Administrative Expenses.

- The auditors' remuneration/compensation for their services should be shown in the notes.

- The accountants have to accredit/accrete Corporation Tax on ordinary activity profit when they are preparing the Trading and Profit and Loss Account.

- The final tax figure will probably be different to the book figure so an amount has been transferred to the defect/deferred taxation account.

- It is necessary to state the emoluments/emollients of the Chairman in the notes.
Look at the following drawings; then fill in the missing words. Choose from the following.

- Would you like a copy of the report?
- May I introduce my colleague, Mr Fry?
- Well, I really need a bit more time!
- Don't mention it! Pleased to have been able to help.
- Not completely, I'm afraid.
- Could I ask you to sign here?
- Good morning, Mr Berneike. Nice to see you again.
- Is next Friday suitable?
- Please take a seat.
- Don't worry. I'll fill them in later.
There seems to be some figures missing.

Yes please.

Have you solved the tax problem yet?

Can you prepare the accounts for next week?

Yes, that'll be fine.

Thank you very much!
Telephoning

Fill in the missing words in the telephone dialogue below. Choose from the box.

<table>
<thead>
<tr>
<th>Can I suggest</th>
<th>Can you let me have</th>
<th>First of all</th>
</tr>
</thead>
<tbody>
<tr>
<td>How can I help you</td>
<td>I'd also like</td>
<td>I look forward to</td>
</tr>
<tr>
<td>My name is</td>
<td>That's right</td>
<td>We can arrange</td>
</tr>
<tr>
<td>What we need is</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Peretti: Hello. (1) **My name is** Ruth Peretti. I'm Managing Director of Woodtech Ltd, a wood machinery manufacturer.

Berg: Oh, yes. (2) ________________?

Peretti: Well, an associate in the industry recommended you. You helped raise finance for Bill Wylie a few years ago.

Berg: Yes. (3) ________________.

Peretti: Well, Woodtech Ltd now wants to expand into new markets with a new product. Up till now we have served specialists in the wood industry but our new product is aimed at the small manufacturer. (4) ________________ finance.

Berg: Right! (5) ________________ I'll need some background information. (6) ________________ a copy of your balance sheet and profit and loss figures for the past three years?

Peretti: Of course.

Berg: (7) ________________ a letter outlining your ideas and a cash flow forecast for the new product.

Peretti: Fine.
Berg: If you let me have these by the beginning of next week, a meeting for the week after. That will give me enough time to look through the figures.

Peretti: Good. a meeting on Monday 16th at 9 o'clock?

Berg: That's fine. receiving your letter and accounts in the next few days.

Peretti: I'll post them first thing tomorrow. I look forward to meeting you on Monday 16th.

Berg: Goodbye.

Peretti: Goodbye.
21 Businesses

Match the following sentences (1–11) with the words or phrases (a–k) on the following page. Write your answers in the grid below.

■ The holder of these has lent the company money but has no voting rights.

■ A group of five accountants have decided to form an association to carry on business in common and make a profit.

■ The investors give these people the power to run the company.

■ This company holds more than 50% of the voting shares in another company.

■ Members of the public can only invest in this company if they are invited to do so.

■ Investments in many companies can be made by buying shares on this market.

■ The public at large can be shareholders in this company.

■ The golf club was set up with no intention of making a profit.

■ Fifty-one per cent of the voting shares of this company are held by another company.

■ This is the meeting which is held once a year for the shareholders.

■ This exists when several companies are in a relationship of owning and being owned.
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<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</tr>
</tbody>
</table>

30 Section 3: Business organization
Complete the following table.

<table>
<thead>
<tr>
<th>Noun</th>
<th>Verb</th>
</tr>
</thead>
<tbody>
<tr>
<td>fraud</td>
<td>defraud</td>
</tr>
<tr>
<td>deceit/deception</td>
<td></td>
</tr>
<tr>
<td>pilfering</td>
<td>waste</td>
</tr>
<tr>
<td>misappropriation</td>
<td>break</td>
</tr>
<tr>
<td></td>
<td>forge</td>
</tr>
<tr>
<td>falsification</td>
<td>err</td>
</tr>
<tr>
<td>embezzlement</td>
<td></td>
</tr>
</tbody>
</table>
Fill in the missing words in the sentences below. Choose from the table above.

When valuing the stock, there are many reasons why the manager makes an allowance of 0.5% for natural _wastage_ of items.

We had to make sure that employees could not _steal_ small items from the office.

The bookkeeper tried to _understate_ over £200,000 but the auditor became suspicious when he found changes to some invoices.

In order to avoid paying tax he decided to _misrepresent_ the documents by understating profits.

Several people lost large sums of money due to the _mismanagement_ of pension funds.

A serious _fraud_ was found in the draft accounts before they were published.

They discovered that the signature on the cheque was a _forgery_.

32 Section 3: Business organization
Fill in the missing words in the sentences below. Choose from the box.

<table>
<thead>
<tr>
<th>appropriation</th>
<th>bonus</th>
<th>denomination</th>
<th>interim</th>
<th>issued</th>
<th>nominal</th>
<th>ordinary</th>
<th>preference</th>
<th>preliminary</th>
<th>redeemable</th>
<th>uncalled</th>
</tr>
</thead>
</table>

- This company has issued shares in £5 **denomination**.
- At the end of the financial year, profits are first of all allocated to pay the fixed percentage dividends on ____________ shares.
- The ____________ shareholders have voting rights but do not have a fixed percentage dividend.
- The company have decided to issue ____________ shares free of charge to their existing shareholders.
- The company is allowed to issue a total amount of shares known as the authorized share capital or ____________ capital. However, the ____________ capital may be less than that.
- There were large ____________ expenses in starting the company.
- They have only asked for some of the amount payable on the shares, so there is still a lot of ____________ capital.
- 2005/2013 written behind a debenture means that it is ____________ during that time.
- The final accounts should include an ____________ account which shows how the company will use the profits.
- After trading for six months, the company paid out an ____________ dividend.
Shares issue

A company has issued 10,000 shares and the following extract has been taken from the bank account.

<table>
<thead>
<tr>
<th>Application and Allotment</th>
<th>£</th>
<th>Bank</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application monies</td>
<td>1550</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allotment monies</td>
<td>1500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First call</td>
<td>3600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second call</td>
<td>2700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H. Jay</td>
<td>0075</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Bank

Use the information in this extract to fill in the missing words in the text below. Choose from the box.

allotment application applications call excess first
forfeited issued nominal oversubscribed refund
reissued second

The company (1) _______ issued _______ 10,000 6% preference shares of £1 each.

Investors who wanted to buy the shares had to pay 10% on (2) __________, 20% on allotment, 40% on the first (3) __________ and 30% on the (4) __________ call. The sale was very popular and the issue was (5) __________. (6) __________ were received for 15,500 shares. A (7) __________ of the money for 500 shares was made. An (8) _______ was made on the basis of two shares for every three applied for, for the remaining 15,000. The (9) _______ application monies were set off against the (10) _______ monies asked for.

The holder of 1,000 shares didn’t pay the (11) _______ and second calls and his shares were (12) __________. These shares were then (13) __________ at 75% of (14) __________ value to H. Jay.
Partnerships

Choose the correct word or phrase in the following statements about partnerships.

- If a partner is liable only to the amount of capital he invested he is a ________ partner.
  a) liability  b) limited  c) corporate  d) dead

- The partners want an official agreement about their share in the partnership, so they are going to draw up a/an ________ of partnership.
  a) deed  b) transaction  c) title  d) instrument

- If there isn’t an official written agreement, but a partner signs a balance sheet which shows that profits have not been shared equally, agreement would be ________.
  a) implied  b) stated  c) drawn  d) believed

- Partners can choose to produce fixed capital accounts or ________ capital accounts.
  a) changeable  b) moving  c) variable  d) fluctuating

- A partner who does not take an active part in the business is called a ________ partner.
  a) silent  b) dead  c) sleeping  d) inactive

- When partners can’t or don’t want to continue in partnership there is a ________ of the partnership.
  a) divorce  b) decomposition  c) amalgamation  d) dissolution

- When this happens a ________ Account is opened to record the transactions.
  a) Sales  b) Realization  c) Distribution  d) Liability

- When the partnership comes to an end, the debts or liabilities are ________.
  a) discharged  b) disposed  c) distributed  d) dissolved

- One partner, who owes the partnership money, will have to cancel his ________ to the partnership firm.
  a) deal  b) claim  c) indebtedness  d) articles
Giving advice

The following phrases are from two different letters: a letter to a firm of accountants asking for advice and the reply. They are all mixed up. Put them in the correct order to produce two correct letters.

1. We look forward to hearing from you.
   Yours sincerely
   Ian Blest

2. Thank you for your letter of 26 January regarding the setting up of a partnership. I am now writing to give you my first thoughts which you may want to discuss further.

3. So far we have agreed that Mr Ford will give £20,000 as capital but will not take part in the running of the business. Mr Grant will manage the business but contribute only £3,000. Mr Blest will provide £8,000 as capital and assist in the business if and when required.

4. I trust that you will find these points useful. If you wish to discuss anything further please let me know.

5. Dear Mr Blest

6. Yours sincerely
   Camilla Simone

7. Turning to profit sharing, I think it would be best for each of the partners to receive interest on their capital investment and then decide how to share the remaining profits.
First of all, I suggest that as Mr Ford is not going to be involved in the daily management of the partnership he be made a limited partner. This means that his liability is limited to the amount of capital invested by him. He can receive a fixed amount of interest on his investment or an amount based on the profits. I feel that Mr Grant, as the managing partner, and Mr Blest who will be actively involved, should receive salaries for their work.

Dear Ms Simone

We now need financial advice about the structure of the partnership and would be grateful if you would assist us. We have planned our next meeting for 21 February, and would like to discuss your ideas then.

Two friends and myself have discussed setting up a partnership and we are now writing to you for advice.

Finally, the law does not require you to draw up a legal deed of partnership but I think you should have a written agreement.

---

Section 3: Business organization 37

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Acquisitions

Look at the following drawings, then fill in the captions. Choose from the following:

- joint venture
- a take-over bid
- showing interest in another company
- launching a bid
- consolidated accounts
- a financial honeymoon
- minority interest
- agreeing the book value of assets
Earnings: word building 2

Use the words in **bold** to form a word which fits in the blank space.

- Wages are earnings which are calculated and paid **weekly**.

- The payroll contains details of all the **employ** who work for the company.

- The employer makes a **deduct** for tax from the workers’ gross salary.

- When calculating how much tax to pay, personal **relieve** is set against the amount someone earns.

- In the UK, people who have worked and paid into National Insurance can claim benefits from the State. These include **employ** benefit and a pension for **retire**.

- To provide for their old age, people may pay **contribute** monthly to a pension scheme.

- Payments to a pension scheme may be tax **deduct**.

- Pension schemes operated by a company may be non-**contribute**.
The law in some countries says that an employee who is ill should get a certain amount of pay which is known as __________ sick pay.

In some companies the employees have a holiday __________ of 20 days.

They receive an increase each year as they are paid an __________ salary.

The government sets the tax band __________ between one tax threshold and the next.
Taxes

Match each definition on the right with a term from the box. Write the term beside each definition.

- **income tax**

  People pay this tax on the money they earn.

- **capital gains tax**

  Companies pay this tax on their profits.

- **corporation tax**

  Profits from the sale of assets may be subject to this tax.

- **excise duty**

  Government tax on things such as cigarettes, alcohol and petrol.

- **tax evasion**

  This kind of tax means that the more money you earn, the higher the rate of tax you have to pay.

---

*Tax haven*
A clever but still legal way of reducing the amount of tax to an absolute minimum.

A country such as Liechtenstein and the Bahamas where tax is low.

A mistake in the law which allows people to avoid paying tax.

These payments are not subject to tax.

In the accounts the company is seen to make this if capital expenditure is brought forward to use up profits.

This tax is added to the price of goods and services.

Avoiding paying tax by giving false information to the authorities.

Investment schemes which allow people to postpone paying tax.

Handling money made from illegal activity.

Creative accounting
Taxation

The following phrases are from three different letters written by an accountant concerning tax matters. They are all mixed up. Put them in the correct order to produce three correct letters.

<table>
<thead>
<tr>
<th>Letter 1</th>
<th>Letter 2</th>
<th>Letter 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yours sincerely</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M D Tippett</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Tippet Partnership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We notice from our files that your 2001 Income Tax return has not been completed yet.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yours faithfully</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M D Tippet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Tippet Partnership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We would recommend that you make payments on account of £2,345 on 1 January 2002 and £2,346 on 1 July to avoid interest charges.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dear Sir/Madam</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dear Mr Pendergast</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We also enclose the Corporation Tax return and trust that you will be able to agree our figures in due course.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dear Ms Post</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have recently received a copy of your 2000/2001 tax assessment. As this is incorrect we have lodged a Notice of Appeal.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On behalf of Collins Enterprises Ltd we enclose a copy of the financial accounts for the year ended 30 March 2001 together with a copy of our Corporation Tax computation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We would like to complete it and would be grateful if you could let us have the details of dividends received from your UK shareholdings for the year ended 5 April 2001.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yours sincerely</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M D Tippet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Tippet Partnership</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

letter 1  letter 2  letter 3
Depreciation

Circle the **odd one out** in each of the following.

- Fixed assets could include
  a) buildings  b) plant and machinery  
  c) the firm’s delivery vans  d) fuel for the vans

- Depreciation due to physical deterioration of an asset may include
  a) wear and tear  b) theft  c) erosion  d) rot

- Machinery becomes obsolete due to
  a) new technology  b) consumption  
  c) changes in production methods  d) changes in fashion

- Amortization is the provision for consumption of the following items
  a) mortgages  b) leases  c) patents  d) copyright

- A provision for depletion would be used for the following items
  a) mines  b) buildings  c) quarries  d) oil wells

- The following are methods of depreciation
  a) straight-line  b) reducing balance  
  c) the sum of the year’s digits  d) market value

- A machine could be disposed of by being
  a) scrapped  b) resold  c) revalued  d) traded in

- The accounts which would record the sale or disposal of a machine are
  a) machinery account  
  b) sales account  
  c) machinery disposals account  d) provision for depreciation (machinery) account
Depreciating: phrasal verbs

Replace the words in brackets in each of the following sentences with a phrasal verb of similar meaning. Choose from the following and make any necessary changes.

- carry on
- catch on
- clear up
- close off
- draw up
- go over
- look up
- sell off
- set aside
- set out
- turn out
- write off

- As the machine had no scrap value, they simply (recorded as worthless) **wrote it off**.

- The methods used for depreciating the fixed assets should be (displayed) **in the notes at the end**.

- Despite massive losses this year, the firm intends to (continue) **trading**.

- They found the true value of the land when the firm had to (dispose of) **it**.

- We think it is best to (keep available) **money each year for future investment in new equipment**.

- The estimated life of the assets (proved) **to be very accurate**.

- If you cannot remember the formula for the reducing balance method of depreciation, (find in a book) **it**.
It's a good idea to (consider) _________ the different ways of depreciating assets before deciding on one particular method.

After disposal of the asset you can (finish) _________ the account.

The surplus or deficiency is transferred when you (prepare) _________ the Profit and Loss Account.

The sum of the year's digits method of depreciation is beginning to (become popular) _________ in Europe now.

A change in the method of depreciation should (solve) _________ the problem of allocating costs.
The auditor discovered that there was a *difference between* the cash book and the bank balance.

If the entries in the accounts are not clear, he can ___________ the original invoices.

You must ___________ an official signature on all large orders.

The auditor must check that the records are ___________ the company requirements.

The auditor must ask the ___________ any large discounts or allowances.

The auditor is ___________ checking the reason for any changes in the accounts.

The authorities will ___________ the auditor ___________ any mistakes in the accounts.

The auditor must check that the purchase invoices ___________ the entries in the Purchases Journal.

The auditor should be ___________ any short-cut methods of correcting errors.

Mistakes may be ___________ the wrong steps used in the original accounting process.
**Auditing**

Match the following terms (1–14) with the correct definition (a–n) on the right and write your answers in the grid below.

- **statutory audit**
- **continuous audit**
- **Memorandum of Association**
- **Articles of Association**
- **walk through test**
- **compliance test**
- **substantive test**
- **teeming and lading**
- **auditor**
- **prior period**
- **audit assignment**
- **corroborate**
- **statistical sampling**
- **consecutive numbers**

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<tbody>
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<td>9</td>
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<td>13</td>
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<tr>
<td><strong>d</strong></td>
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</tbody>
</table>

- **official document stating the internal rules of the company**
- **following one after the other without a break**
- **this checks that controls are operating effectively**
- **required by law**
- **money received from one debtor is wrongly recorded to another**
- **regulates the company's relationship with the public**
- **testing a small number of representative items**
- **carried out all the time**
- **following documents or transactions through the system**
- **piece of work you are given to do**
- **careful study of all the details**
- **accountant who examines a firm's accounts**
- **previous length of time**
- **make sure it's true with more information**
Complete the following words.

- The profit expressed as a fraction or percentage of the cost price. **MARKUP**
- The profit expressed as a fraction or percentage of the selling price. **MA _ _ _**
- A percentage of profits which they pay the manager. **C _ _ _ _ _ ION**
- Ratios help us to analyze and _________ accounting information. **INT _ _ _ _ _**
- Shows that a firm has enough money to survive in the short term. **LI _ _ _ D _ _**
- How quickly stock is turned over. **STOCK _ _ _ _ _**
- The range of different types of goods which a firm sells. **S A _ _ _ M _ _**
- The sales figure minus any goods which are returned. **T _ _ N _ _ R**
- Shows if the firm can meet its debts in the long term. **S _ _ V _ _ Y**
- The amount of borrowing by a firm. **G _ _ R _ _ G**
- The rate of return on an investment in shares. **Y _ _ _ D**
- Expenses which do not change even when activities are increasing or decreasing. **F _ _ _ D**
- Expenses which change when the firm's activities change. **VAR _ _ _ E**
- You can see this when information from several years is compared. **T R _ _ D**
30 Ratios 2

- Match the type of ratio (a–e) with the correct description of its function (1–5).

- shows how well the business can meet its commitments as they fall due
  - a capital structure
  - b liquidity
- shows how successfully the business is trading
  - c investment
- shows how well the business is using its assets
  - d profitability
- provides information about how the capital structure of the firm is affecting the cost of capital and the return to shareholders
  - e use of assets
- shows how the company’s performance is reflected in the market price of a share

- Which type of ratio are the following? Choose from a–e above.

  - current ratio
  - price earnings ratio
  - fixed assets/net worth
  - asset/sales
  - acid test ratio
  - gross profit/sales
  - dividend cover for ordinary shares
  - borrowing/net worth
  - collection period for debtors
  - net profit after tax/sales
The Balance Sheet

Fill in the missing entries in the Balance Sheet below. Choose from the following.

<table>
<thead>
<tr>
<th>Amounts owed by related companies</th>
<th>Called up share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditors: amounts falling due after one year</td>
<td>Development costs</td>
</tr>
<tr>
<td>Fixtures and fittings</td>
<td>General reserve</td>
</tr>
<tr>
<td>Net current assets</td>
<td>Profit and loss account</td>
</tr>
<tr>
<td>Stock</td>
<td>Tangible assets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed Assets</th>
<th>£000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Intangible Assets</strong></td>
<td></td>
</tr>
<tr>
<td>(1) Development costs</td>
<td>180</td>
</tr>
<tr>
<td>Goodwill</td>
<td>40</td>
</tr>
<tr>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td>Land and buildings</td>
<td>600</td>
</tr>
<tr>
<td>(3)</td>
<td>20</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td></td>
</tr>
<tr>
<td>Shares in related companies</td>
<td>4,100</td>
</tr>
<tr>
<td>Loans to related companies</td>
<td>59</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
</tr>
<tr>
<td>(4)</td>
<td></td>
</tr>
<tr>
<td>Raw materials</td>
<td>600</td>
</tr>
<tr>
<td>Finished goods</td>
<td>800</td>
</tr>
<tr>
<td>Debtors</td>
<td></td>
</tr>
<tr>
<td>Trade debtors</td>
<td>1,200</td>
</tr>
<tr>
<td>(5)</td>
<td>400</td>
</tr>
<tr>
<td>Called up share capital not paid</td>
<td>500</td>
</tr>
<tr>
<td>Prepayments</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>£000's</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td><strong>Creditors: amounts falling due</strong></td>
<td></td>
</tr>
<tr>
<td>within one year</td>
<td></td>
</tr>
<tr>
<td>Debentures</td>
<td>600</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>50</td>
</tr>
<tr>
<td>Bills of exchange payable</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>(6)</td>
<td></td>
</tr>
<tr>
<td>Debentures</td>
<td>100</td>
</tr>
<tr>
<td>Bank loans</td>
<td>100</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
</tr>
<tr>
<td>(8)</td>
<td></td>
</tr>
<tr>
<td><strong>Other reserves:</strong></td>
<td></td>
</tr>
<tr>
<td>Capital redemption reserve</td>
<td>300</td>
</tr>
<tr>
<td>(9)</td>
<td>599</td>
</tr>
<tr>
<td>(10)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Valuation of stock

Complete the following words.

1. The first goods which come in are the first to leave the firm. (abbreviation)

2. Goods leaving the firm are the last which were received. (abbreviation)

3. The value of all the goods in stock is calculated as an average.

4. The direct cost of production (materials, labour and expenses) give this figure.

5. If a stock item were sold, this is the money which would be received after taking away the costs of disposal.

6. The cost of getting an item to take the place of a stock item.

7. The value of items which a company is producing at the moment.

8. Items which are used up when producing goods for sale.

9. The main valuation method used in calculating the input value.

10. A retailer can return unsold goods to the manufacturer when they are supplied on these terms.

11. The quantity of goods which are available for sale.

---

54 Section 5: Financial statements and ratios
Look at the following drawings which depict different reasons for paying for goodwill, then fill in the captions. Choose from the following.

- Costs in research and development
- The business enjoys a monopoly
- Trade marks and patents
- Skilled labour force

- A well-known name
- Negative goodwill
- Location of the premises

Section 5: Financial statements and ratios
Goodwill may be treated in different ways in the accounts. Fill in the missing words in the sentences below. Choose from the following.

acquired amortized balance sheet brought created eliminated reserves useful

**In the company's books:**
Purchased goodwill should normally be (1) ____________ immediately as an asset from the books when it is (2) ____________. In some companies, it may be appropriate for purchased goodwill to be (3) ____________ year by year over its (4) ____________ economic life. Goodwill which has been (5) ____________ within the company and not bought, should never be (6) ____________ into the books at all. When there is negative goodwill, it should be added to the (7) ____________ in the (8) ____________ of the firm.
Accounting policy

The following extracts are taken from Notes to the Accounts. Give a more formal word or phrase for the words given in brackets. Choose from the words in the box at the start of each section.

| adjustments | applicable | compliance | convention | stating |

Basis of preparation of accounts
The accounts have been prepared under the historic cost (normal practice) (1) convention, as modified by the revaluation of certain fixed assets, in (agreement) (2) with the provisions of the Companies Act 1985 and (fitting) (3) to UK Accounting Standards. The group accounts are the result of the consolidation of the accounts of the company and its subsidiaries, with appropriate (changes) (4).

Rationalization and closure costs
Continued rationalization costs are charged before (giving) (5) the trading profit. Closure costs of major sites are treated as an extraordinary item.

| arising | estimated | excess | is incurred | per annum |

Depreciation
Depreciation on freehold buildings and leaseholds with more than 50 years unexpired is provided on a straight-line basis at 3% (each year) (6). No depreciation is provided on freehold land. Computers and other equipment are depreciated on a straight-line basis over their (guessed) (7) lives of between four and ten years.
Goodwill
Goodwill (existing) (8) ________________ on acquisitions, being the (extra) (9) ________________ of cost over the fair value of the net assets acquired, is charged against reserves in the year of acquisition.

Research and development expenditure
All revenue expenditure is charged against profits in the year in which it (happens) (10) ________________.

Foreign currencies
Assets and liabilities in foreign currencies are expressed in sterling at exchange rates (given) (11) ________________ at the balance sheet date.

Pensions
Contributions are made to pension schemes to provide for retirement benefits related to (forecast) (12) ________________ final salaries in respect of (today's) (13) ________________ staff, and for post retirement increases in pensions, and are charged to the profit and loss account as incurred.

Deferred taxation
Deferred taxation arises (for) (14) ________________ items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provisions are made at the appropriate rates for deferred taxation to the extent that it is (thought) (15) ________________ the liability or asset will arise in the foreseeable future.
Funds

Choose the correct answer in each of the following.

1. Funds coming into a firm are known as ___**sources**___ of funds.
   a) springs  
   b) **sources**  
   c) origination  
   d) income

2. The ways these funds are used are known as the ___________ of funds.
   a) application  
   b) delegation  
   c) disposal  
   d) consumption

3. ___________ funds include money in our hands and in the bank.
   a) working  
   b) current  
   c) profit  
   d) cash

4. When you take away current liabilities from current assets you have the amount of ___________ funds.
   a) liability  
   b) working capital  
   c) asset  
   d) flow

5. Financial statements about cash funds are usually known as ___________ statements.
   a) cash flow  
   b) cash resource
   c) cash outflow  
   d) cash loss

6. An item which doesn’t involve flow of funds is ___________.
   a) sale of fixed asset  
   b) drawings  
   c) depreciation  
   d) loan repayment
An item which involves flow of funds is _________.

a) provision for bad debts  
b) book loss on sale of fixed asset  
c) sale of fixed asset  
d) book profit on sale of fixed asset

After making adjustments for items which don’t involve the flow of funds the net profit or loss is known as _________.

a) gross profit  
b) outflow of funds  
c) cash movements  
d) total generated from operations

If a company reduces their stock and the number of debtors, they will _________ cash.

a) deliver  
b) release  
c) discharge  
d) liberate
## Costs

Fill in the missing words in the terms below. Choose from the box.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>direct</strong> costs</td>
<td>Costs which are directly related to making a product (e.g. materials, labour and expenses).</td>
</tr>
<tr>
<td>_______ costs</td>
<td>Costs of changing materials into products.</td>
</tr>
<tr>
<td>_______ costs</td>
<td>Costs which are not directly related to making a product, e.g. rent, administration.</td>
</tr>
<tr>
<td>costs _______</td>
<td>This could be a location, a function, a piece of equipment or a group of employees where you can identify and allocate costs for control purposes.</td>
</tr>
<tr>
<td>costs _______</td>
<td>You divide the common overhead costs between the various activities which use them according to how much they use.</td>
</tr>
<tr>
<td>_______ costs</td>
<td>Costs which always stay the same even if the number of items produced changes.</td>
</tr>
<tr>
<td>_______ costs</td>
<td>The cost of paying workers to make the product.</td>
</tr>
<tr>
<td>_______ cost</td>
<td>The cost of making a single extra unit above the number already planned.</td>
</tr>
<tr>
<td>_______ cost accounts</td>
<td>You don’t separate financial and cost accounting.</td>
</tr>
<tr>
<td>_______ cost accounts</td>
<td>Separate cost and financial accounts which are reconciled sometimes.</td>
</tr>
</tbody>
</table>
Cost analysis

Take one word from the left-hand column and one from the right to complete each of the following sentences.

- financial - facilities
  - prime - analysis
  - functional - decisions
  - consumable - process
  - maximum - data
  - business - profit
  - arbitrary - materials
  - manufacturing - cost

1. Accountancy provides **financial** **data** which is used to make future business decisions.

2. In order to succeed, company managers try to make __________ because this is where capital growth comes from.

3. Because accountants rely on estimates rather than 'true costs', they often have to make __________ .

4. __________ are used up in the manufacturing process but are not part of the final product.

5. All the direct costs of manufacturing are referred to as __________ .
Overhead is the cost of providing __________ which you need to produce goods.

The management accountant should understand the __________ used to make a product in the factory.

Cost accounting uses __________ which looks at where each transaction comes from.

*The management accountant should understand the __________ used to make a product in the factory.*
Manufacturing costs

Which of the following manufacturing steps is being described below?

<table>
<thead>
<tr>
<th>assembly</th>
<th>dispatch</th>
<th>finishing</th>
<th>maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>material handling</td>
<td>material storage</td>
<td>packing</td>
<td>production set-up</td>
</tr>
<tr>
<td>production</td>
<td>purchasing</td>
<td>quality control</td>
<td>sourcing</td>
</tr>
</tbody>
</table>

- finding suppliers
- buying
- receiving and moving materials
- providing space and the necessary conditions for keeping materials
- preparing machines for manufacture
- keeping the machines in working order
- making products
- putting the products together
- applying a protective cover to the product
- checking to make sure the product reaches the correct standard
- putting products in boxes and crates
- transporting the finished products

Fill in the missing words in the sentences below. Choose from the following.

appropriate  cost driver  overhead  overstate  selling

Costing methods are used to decide product ________ prices and profitability. ________ costs are charged to products. A mistake in the method of calculating could ________ the cost of the product. The activity costing method means allocating the ________ share of activities to each product. A factor which influences the cost of an activity is known as a ________ and is used to calculate how much should be apportioned to each product.
Stock costs

Here are 20 costs related to holding stock, obtaining stock and stockout. Decide which cost group they belong to and write them in the spider diagram on the next page.

- accounting costs
- air-conditioning for warehouse
- damage
- deterioration
- extra costs for urgent purchases
- inventory costs
- interest on capital invested in stock
- loss of customers
- loss of customer goodwill
- lost sale
- pilfering
- production stoppages
- purchasing department costs
- setting-up costs for production run
- stores’ insurance and security
- stores’ running costs
- tooling costs for internal ordering
- transport costs
- wages for stores’ staff
- workforce frustration

Sally and George were mystified by their loss of customers.
- pilfering
- inventory costs
- wages for stores staff
- production stoppages
- stock costs
- transport costs
- stockout
- obtaining stock
- tooling costs for internal ordering

66 Section 6: Costing
Cost ascertainment: word building 3

Use the words in **bold** at the end of each of the following sentences to form a word which fits in the blank space.

- It's not always possible to calculate product costs of multiple products **accurately**. **ACCURATE**
- You need product costs to make a __________ between products. **COMPARE**
- Management may wish to expand the sales of the more __________ products. **PROFIT**
- Process costing looks at the __________ of costs in a department over a period of time. **ACCUMULATE**
- Operating costing is the way of calculating the cost of the __________ of services. **PROVIDE**
- Material losses which result from the nature of the operating method are usually not __________. **AVOID**
- Losses caused by inefficient operations are __________. **PREVENT**
- The disposal of waste might incur __________. **EXPEND**
- Some costs may be __________ by the sale of scrap. **RECOVER**
- Bookkeepers normally don't make a __________ between scrap and waste. **DISTINCT**
- __________ may be possible on some products which fail quality control. **RECTIFY**
- In jobbing production there is usually no __________ in design from previous orders. **REPEAT**
Which cost behaviour pattern is illustrated in each of the graphs shown?

- semi-variable costs
- curvi-linear variable costs
- total fixed costs
- mainly variable costs
- total linear variable costs
- mainly fixed costs
- stepped costs

4
Which graph represents the following overhead cost items?

- One supervisor is required for eight workers on the production floor, so the costs for supervisors' salaries increase with each eight workers.
- Waste disposal costs per unit fall as output rises showing an economy of scale.
- Royalties are paid on each unit produced.
- The production manager receives a small basic salary and a percentage commission on each item produced.
- There is a quarterly standing charge for the telephone and additional costs for each call made.
- There is a standard charge for the machine and normal usage but usage above the agreed volume increases per unit.
- The rent for the buildings remains the same whether output increases or decreases.

Royalties are paid on each unit produced.
Company expansion: formal verbs

Choose a more formal verb from the box to replace the words in brackets in the following sentences.

- absorb - boost - concentrate - cover - gain - generate - hold - identify - implement - map out - penetrate - pinpoint - reach - reduce - set - strengthen - submit

- We will have to __absorb__ (deal with) an increase in material costs because we don't want to increase our selling price.

- Increased domestic sales should ____________ (make) more profit this year.

- The manager went to the meeting to ____________ (present) his financial plan for the expansion.

- The increased profit must be enough to ____________ (pay for) the operating and financial expenses.

- Careful production costing should enable us to ____________ (find) loss-making products and ____________ (explain exactly) the reasons for the problem.

- The sales target has been ____________ (decided) for the next six months.

- It's the company's aim to ____________ (get) a bigger market share.

- Everyone will have to work hard to ____________ (get to) the planned business targets.
The plan is to ______ (cut) sales of the loss-making products and ______ (give attention to) on those which are more profitable.

We will ______ (put into action) expansion plans early next year.

The plan is to ______ (get into) the North African market and ______ (increase) sales of the main products.

At the same time we will have to ______ (keep the same) the present selling price in the domestic market.

Every effort will be made to ______ (make better) our position in the market.

They have set up a project group to ______ (layout in detail) an expansion strategy.

The plan is to get into the North African market.
New markets: prepositions 2

Fill in the missing prepositions in the sentences below. Choose from the box.

on for in to of

- The directors are interested in the prospects of future developments in South America.

- At the meeting they will decide financial targets for the next six months.

- We look forward to receiving a detailed plan of the project.

- The director gave a brief account of the company’s recent performance.

- Future dividends will depend on the success of the new product.

- The director stressed the importance of effective control on spending.

- The marketing strategy is to concentrate on developing markets in Europe.

- There is a need for a full risk assessment before going into these markets.

- We must be aware of the attitude towards foreign investors.

- There may be difficulties in enforcing contracts.
For the site construction we will rely ______ local contractors.

We have already reached agreement ______ local short-term credit.

It is necessary ______ everyone involved in the project to show respect ______ local customs.

We are proud ______ recent successes in these markets.

The sale of the building has been agreed subject ______ contract.

We are all involved ______ finding solutions to the current problems.
Planning information

Rearrange the letters to form the correct word for each of the following.

- Where customers demand low prices, employees expect high wages and shareholders want high dividends, there is a conflict of interest (fitconfo terinest).
- The corporate plan will normally be either production, market or profit-oriented (ontedrie).
- A business cannot stand still, it must either grow or decline and so a net cash flow increase is the growth (rgetta).
- Corporate planning must plan several years ahead so long-term forecasting (ongl genra castfocrine) is a major part of corporate planning.
- Managers use model to predict the future under different conditions (odmnggeill).
- We sometimes see similar changes every four, five or six years; this is known as a pattern (lalcyc pttaern).
- When movements in an organization follow a similar pattern to other events they show c (catorrionel).
- To form a corporate policy, corporate planning looks at every aspect of company activity and this is known as a concept (talc cepcont).
- Changes in the population structure or age profiles of customers are examples of demographic information (graphmodeic).
- Information about economic conditions will include forecasts for growth, GDP and inflation (ionintfla).
Fill in the missing words in the sentences below by making combinations with the word budget. In some expressions budget appears as the second word. Choose from the following:

appropriation cash committee current fixed functional master officer period principal selling

Next year's budget is being prepared by the budget committee over the next few weeks.

They haven't taken variable output levels into account and have set a budget of £800,000 for raw materials.

The sales manager has to give his budget estimate to the budget committee by tomorrow morning so that he can check it before the meeting next week.

For most companies the budget period is a year but due to the rapidly changing nature of the fashion industry they prepare their budget every four months.

There is a limit to the amount of money which may be spent on research and development, so an appropriation has been prepared.

In order to have an effective management control system, we prepare a functional budget for a short period of time.

The market demand is for 900,000 units, but the existing plant, which is only capable of producing 500,000 units, is the selling factor.
The marketing department is divided into ten territories, each with its own ____________ ____________.

Sales reps' salaries, rent for sales offices, advertising and publicity are some of the items included in the ____________

In order to make sure that there will be enough cash available to meet demands and provide additional finance if required, a ____________ ____________ must be prepared.

The budgeted profit and loss account is incorporated in the final ____________ ____________ once the board of directors has agreed it.
Variances

Delete the wrong word in italics in the following two sentences.

- The difference between the budgeted and actual results is adverse / favourable when profits are higher.
- The difference between the budgeted and actual results is adverse / favourable when profits are lower.

In the following situations decide if the variances are favourable (F) or adverse (A).

- Three hundred tonnes of materials were used at a price of $45 per tonne. The standard price is $47 per tonne.
- The company bought salt at standard price but the process used more than planned.
- The workers worked harder than expected during the year and production increased.
- The budgeted expenditure on overhead was £50,000. The actual overhead was £65,000.
- The chemicals used in the process were used in different proportions from the standard mix and the total price was lower.
- One member of the manufacturing team was away from work without wages but the team worked equally well without him.

Match each of the situations (1–6) above with the correct variance (a–f) below.

- overhead expenditure variance
- material usage variance
- material price variance
- materials mix variance
- labour mixture variance
- labour efficiency variance
Complete the following words.

1. This type of accounting is used to measure how effective a manager's decision has been. **RESPONSIBILITY**

2. This is the first of three steps in a formal control system. **S.TT**

3. This is the second of three steps in a formal control system where the objectives are put into action. **OP**

4. The last of three steps in a formal control system where the results are studied. **FACK**

5. This means correct and containing no mistakes. **ACE**

6. A difference to the expected standard. **VA**

7. To give responsibility to other people in the organization rather than do it yourself. **DATE**

8. This kind of system accepts that standards can be changed and adjusted as necessary. **POLOD**

9. Products do this if they reach the required quality. **CORM**

10. To change or reset standards. **RISE**

11. This data allows you to compare alternatives. **CARIVE**

12. This system works towards an ideal standard. **CLUDLOD**

13. At present, at the moment, today's. **CONE**

14. Only information which is important and significant. **RIVNT**

15. An instrument which reacts to certain conditions and provides information. **SISR**

16. To change, alter or adapt. **MFFY**
Match the following phrasal verbs with a synonym on the right.

1. go ahead — a. arrange/display
2. run into — b. proceed
3. go over to — c. understand
4. put forward — d. cause to happen
5. bring in — e. avoid
6. get out of — f. encounter
7. set out — g. change
8. make out — h. submit
9. bring about — i. earn

Fill in the missing phrasal verbs in the sentences below. Choose from the list (1–9) above.

10. The increase in raw material prices will ___________ a reduction in profits.
11. The contract to refit the cruise liner will ___________ much needed revenue.
Include all the relevant figures on the performance report and then __________ for senior management.

The company have __________ problems of setting realistic budgets because they have a poor accounting system.

The department managers have to __________ their budgets by the end of this week.

Because of incomplete records, it is impossible to __________ how the final figures were calculated.

It's amazing what some firms will do to __________ paying corporate tax.

Profits over the last three years have increased steadily and the firm has decided to __________ with the expansion of the business.

Because of large variances between the budgeted and actual costs, they should __________ a different method of calculating the variance.
What do the lines (a) and (b) in graph A represent?
   a) T _____ C _____    b) S _____

What is point (c) called?   c) _____ POINT

What do areas (d) and (e) represent?
   d) _____    e) _____

What is area (f) in graph B known as?
   M _____ OF S _____

How much are fixed expenses per annum in graph A?

How much are the fixed expenses in B?

Which graph is a basic profit graph?
Presenting the results

Look at the following drawings; then fill in the missing words. Choose from the following.

- You are required to
- In other words
- In my opinion
- I'd prefer
- I strongly recommend
- There seems to be
- He is supported by
- Let me just clarify

The Law

... declare all sources and application of funds.

$250,000 +$519,000
= $796,000

... a small mistake in the calculation.

£200,000

£B/E=FS/S-V

... how we arrived at this figure of £200,000.
This is the break-even point ... we'll begin to make a profit at 50,000 units.

... a review of the sales performance.

... we have to look very closely at the overhead costs.

This is the Managing Director... the Management Accountant.

STOCK 2001
Obsolete Items

... to see a continuous stock-take rather than the present system of doing an annual stock-take.

Research has shown that what a decision in one organisation had the greatest impact that what is said and done within one department of another organisation.
Fill in the missing words in the sentences below. Choose from the box.

| behaviour | ceiling | competitors | demand | discretion | elasticity | floor | full cost | leader | legislation | make or buy | substitutes |

- For some products, such as perfume, expensive and attractive packaging can increase the **demand** for them.
- Most businesses are in competition with other companies who manufacture similar products or ____________.
- A manufacturer should first look at the prices set by his ____________ before he sets his own prices.
- When preparing information for pricing decisions, the accountant should be aware of market ____________.
- If sales representatives are working in a very competitive market, they should perhaps set prices at their own ____________.
- If the design of a product is confidential there will be no choice in the ____________ decision.
- Government ____________ regulates the prices for certain products.
- The maximum and minimum prices which can be set for a product are known as the price ____________ and price ____________, respectively.
- To add a certain mark-up to the total cost of a product, a system of ____________ pricing is used.
- A price ____________ is a product which all other companies watch when setting their prices.
- The ____________ of demand shows how consumers will react when prices are altered.
Confusing words 2

Look at the words in italic in each of the following sentences and choose the correct one.

- We're setting all the prices for next year except/accept the new range which won't be ready for another three months.
- Can you remember/remind him to bring the comparative costs.
- After the confusion over the bank transaction, they have agreed to waive/wave charges.
- These two companies have been in collision/collusion with each other to fix prices.
- We should use an alternative/alternate pricing structure to the one we use now.
- We've had an officious/official letter to tell us about the changes in export regulations.
- When deciding on new prices you mustn't lose sight/site of market behaviour.
- Once they have agreed the figures we can precede/proceed with the costing.
- Please insure/ensure that only the most recent figures are included in the calculations.
- When we are setting standards we allow 10% for deficient/defective goods.
- There must be a mistake in the calculations somewhere. These figures are just not credible/creditable.
- The cash budget must take seasonal/seasonable variations into consideration.
- The consultant is being prosecuted/persecuted for tax evasion.
- The management have now decided what measurements/measures to take to increase productivity.
The same word is missing in each of the following sets of three sentences. Choose from the box.

capital  earnings  forecasts  pay-back  return

1. earnings
   - The estimated ___________ potential is very important when you are choosing an investment project.
   - This project will yield ___________ of £800,000 over five years.
   - The amount of money an employee receives, and the money generated from an investment project are both known as ___________.

2. ___________
   - They want to know the expected ___________ on investment.
   - Some projects will be rejected because they do not yield a high rate of ___________.
   - The ___________ on an investment is the profit you get from it.

3. ___________
   - The ___________ expenditure in the canteen, sports centre and staff room will benefit the whole company.
   - In ten years we should be able to recover the ___________ invested.
   - The total amount of money which is invested by the owners of a company is known as ___________.

Section 8: Decision making
What is the _____________ period of this investment likely to be?

They'll have to be prepared to wait longer for a _____________ from this investment.

Recovering the costs of an investment is known as _____________.

___________

___________ of future inflation rates have not been taken into consideration.

The actual economic life of the assets turned out to be longer than the original _____________.

Statements about what is expected in the future are _____________.

They want to know the expected _____________ on investment.
Decisions: word building 4

Complete the following words by choosing an appropriate prefix. (Some prefixes may be used more than once.) Choose from the box.

ir-   un-   in-   dis-   ab-   under-   mis-   de-

- Low demand for their products has made production very
  \underline{un} profitable.

- We don’t have a detailed cost analysis yet, so the management are
  \underline{under} decided about future investment.

- You must make everything very clear now in order to avoid any
  \underline{mis} understandings later.

- Four Seasons Ltd has been \underline{de}successful in marketing the new
  product.

- Since \underline{mis}regulation, telephone companies have been able to set
  their own prices.

- The company would be more profitable if they could reduce the
  amount of \underline{mis}used capacity.

- They have decided to \underline{mis}continue the production of Product P
  because sales have fallen.

- They have changed the way they measure profit as absorption
  costing is \underline{under} adequate.
The management think that the policy of expanding sales is ___correct.

Prices for raw materials are ___normally high at the moment.

They ___estimated the effect of the competitor's products on sales in this market sector.

The report showed that moving the production to a new site was ___desirable.

An increase in the price of land was totally ___expected.

Lots of the documentation which was lost in the fire is ___replaceable.

Prices of raw materials are abnormal at the moment.
### Test 1
1. account
2. accountancy
3. accounting
4. accounts
5. accountancy
6. accountant
7. accounts, accounting
8. accountant, accounts
9. accounting
10. account
11. accountancy
12. accounting, accounts

### Test 2
1. creditor
2. profit
3. loss
4. purchases
5. stock
6. withdrawal
7. debtors
8. discount
9. balance
10. trial balance
11. carriage
12. ledgers

### Test 3
1. d
2. a
3. e
4. g
5. b
6. i
7. c
8. f
9. h

### Test 4
1. assets
2. depreciation
3. loan
4. interest
5. capital
6. drawings
7. shares
8. goodwill
9. acquisition
10. audit
11. budget
12. balance sheet

### Test 5
1. e
2. g
3. b
4. h
5. j
6. i
7. c
8. d
9. a
10. f

### Test 6
A. double
B. decline
c. escalate
d. decrease
e. expand
e. deepen
f. growf. descend
g. increaseg. deteriorate
h. improveh. diminish
i. jumpi. drop
j. recoverj. dwindle
k. risek. fall
l. rocketl. reduce
m. soarl. shrink
n. slumps. slow down
o. slumps. slump
p. slumps. suffer

### Test 7
1. from, to
2. between
3. at
4. of
5. by
6. by, to, of
7. by
8. at
9. of
10. at
11. to
12. between

### Test 8
1. calculator
2. eraser (also called a rubber)
3. floppy disk
4. laptop computer
5. mouse
6. paper and pencil
7. computer monitor
8. CD
9. fax machine
10. keyboard
11. mobile phone
12. pager
13. printer
14. personal computer
Test 9
Across
3 database 15 backup
5 server 16 offline
6 forward 18 attachment
7 install 19 online
9 website 20 update
11 scanner 21 save
12 bag

Down
1 data 8 network
2 search engine 10 spreadsheet
3 download 13 import
4 browse 14 delete
5 spam 17 virus

Test 10
1 account number
2 cheque book
3 withdraw cash
4 sort code
5 bank charges
6 base rate
7 central bank
8 standing order
9 bank statement
10 overdraft facility

Test 11
1 petty cash
2 beneficiary, remitter
3 transaction
4 brought, carried
5 discrepancies
6 batch
7 contra
8 cleared
9 authorization
10 threshold

Test 12
1 invoice
2 tax point (May also be invoice date.)
3 dispatch date
4 description
5 quantity
6 unit price
7 amount (Sometimes called value or total.)
8 trade discount

9 value added tax
10 terms

Test 13
1 d) sales day book (also known as sales journal)
2 c) trade discount
3 a) returns
4 b) credit control
5 a) bad debts
6 d) provision
7 b) ageing
8 a) exempt
9 c) return

Test 14
1 an undercast account
2 compensating error
3 error of omission
4 error of principle
5 journal
6 error of original entry
7 reversal of entries
8 an overcast account
9 error of commission

Test 15
1 c 6 j
2 b 7 g
3 i 8 e
4 h 9 a
5 f 10 d

Test 16
1 ordinary
2 extraordinary
3 turnover
4 dividend
5 distribution
6 cost of sales
7 administrative expenses
8 retained

Test 17
a 4 f 2
b 1 g 10
c 6 h 7
d 9 i 8
e 3 j 5
Test 18
1 stock-take
2 publish, formats
3 internal
4 disclosed
5 derived
6 appended
7 apportion
8 remuneration
9 accrue
10 deferred
11 emoluments

Test 19
1 g  6 a
2 b  7 e
3 i  8 c
4 f  9 h
5 j  10 d

Test 20
1 My name is
2 How can I help you
3 That’s right
4 What we need is
5 First of all
6 Can you let me have
7 I’d also like
8 we can arrange
9 Can I suggest
10 I look forward to

Test 21
1 h  2 e  3 f
4 j  5 g  6 d
7 i  8 c  9 a
10 k  11 b

Test 22
A Noun
fraud
deeceit/deception
pilfering
wastage
misappropriation
breakage
forgery
falsification
error
embezzlement

B Verb
wastage
misappropriation
pilfer
error
embezzle

Test 23
1 denomination
2 preference
3 ordinary
4 bonus
5 nominal, issued
6 preliminary
7 uncalled
8 redeemable
9 appropriation
10 interim

Test 24
1 issued
2 application
3 call
4 second
5 oversubscribed
6 applications
7 refund
8 allotment
9 excess
10 allotment
11 first
12 forfeited
13 reissued
14 nominal

Test 25
1 b) limited
2 a) deed
3 a) implied
4 d) fluctuating
5 c) sleeping
6 d) dissolution
7 b) Realization
8 a) discharged
9 c) indebtedness

Test 26
request for advice: 9, 11, 3, 10, 1
reply: 5, 2, 8, 7, 12, 4, 6

Test 27
1 c
2 b
3 d
4 f

92 Answers
Test 28
1 weekly  
2 employees  
3 deduction  
4 relief  
5 unemployment, retirement  
6 contributions  
7 deductible  
8 non-contributory  
9 statutory  
10 entitlement  
11 incremental  
12 widths  

d) market value: the price an asset could be sold for today.  
c) revalued: given a new estimate of its value.  
b) sales account: records sales of goods produced by the firm, not assets.

Test 29
1 Income tax  
2 corporation tax  
3 capital gains tax  
4 excise duty  
5 progressive tax  
6 creative accounting  
7 tax haven  
8 loophole  
9 tax deductible  
10 tax loss  
11 value added tax  
12 tax evasion  
13 tax shelter  
14 money laundering  

Test 30
letter 1: 6, 2, 10  
letter 2: 5, 9, 7, 3  
letter 3: 8, 4, 1  

Test 31
1 d) fuel for the vans: this changes and is a cost to the business.  
2 b) theft: deterioration is a gradual loss in value. Theft is total.  
3 b) consumption: obsolete machines still exist but consumed materials are used up.  
4 a) mortgages: amortization refers to intangible assets, a mortgage is a liability.  
5 b) buildings: depleted items become smaller.

Test 32
1 wrote off  
2 set out  
3 carry on  
4 sell off  
5 set aside  
6 turned out  
7 look up  
8 go over  
9 close off  
10 draw up  
11 catch on  
12 clear up  

Test 33
1 difference between  
2 refer to  
3 insist on  
4 in line with  
5 reason for  
6 responsible for  
7 blame for  
8 agree with  
9 suspicious of  
10 caused by  

Test 34
1 d  
2 h  
3 f  
4 a  
5 i  
6 c  
7 k  
8 e  
9 l  
10 m  
11 j  
12 n  
13 g  
14 b  

Test 35
1 mark-up  
2 margin  
3 commission  
4 interpret  
5 liquidity  
6 stockturn  
7 sales mix  
8 turnover  
9 solvency  
10 gearing  
11 yield  
12 fixed  
13 variable  
14 trend  

Test 36
A 1 b 2 d 3 e 4 a 5 c

Answers 93
B current ratio (b)
price earnings ratio (c)
fixed assets/net worth (a)
asset/sales (e)
acid test ratio (b)
gross profit/sales (d)
dividend cover for ordinary
shares (c)
borrowing/net worth (a)
collection period for debtors (e)
et net profit after tax/sales (d)

Test 37
1 Development costs
2 Tangible assets
3 Fixtures and fittings
4 Stock
5 Amounts owed by related
   companies
6 Net current assets
7 Creditors: amounts falling due
   after one year
8 Called up share capital
9 General reserve
10 Profit and loss account

Test 38
1 FIFO (first in, first out)
2 LIFO (last in, first out)
3 average cost
4 prime cost
5 net realizable value
6 replacement cost
7 work-in-progress
8 raw materials
9 historic cost
10 sale or return
11 stock level

Test 39
A 1 e 2 b 3 d 4 c
   5 g 6 a 7 f
B 1 eliminated 5 created
   2 acquired 6 bought
   3 amortized 7 reserves
   4 useful 8 balance sheet

Test 40
1 convention 9 excess
2 compliance 10 is incurred
3 applicable 11 ruling
4 adjustments 12 projected
5 stating 13 existing
6 per annum 14 in respect of
7 estimated 15 considered
8 arising

Test 41
1 b) sources
2 a) application
3 d) cash
4 b) working capital
5 a) cash flow
6 c) depreciation
7 c) sale of fixed asset
8 d) total generated from operations
9 b) release

Test 42
1 direct 6 fixed
2 conversion 7 labour
3 indirect 8 marginal
4 centre 9 integrated
5 apportionment 10 interlocking

Test 43
1 financial data
2 maximum profit
3 arbitrary decisions
4 consumable materials
5 prime cost
6 business facilities
7 manufacturing process
8 functional analysis

Test 44
A 1 sourcing
   2 purchasing
   3 material handling
   4 material storage
   5 production set-up
   6 maintenance
   7 production
   8 assembly
   9 finishing
  10 quality control
  11 packing
  12 dispatch
B selling
overhead
overstate
appropriate
cost driver

Test 45
holding stock
wages for stores’ staff
inventory costs
pilfering
stores’ insurance and security
interest on capital invested in stock
air conditioning for warehouse
deterioration
damage
stores’ running costs
obtaining stock
transport costs
setting-up costs for production run
accounting costs
purchasing department costs
tooling costs for internal ordering
stockout
production stoppages
loss of customer goodwill
extra costs for urgent purchases
lost sale
work-force frustration
loss of customers

Test 46
1 accurately
2 comparison
3 profitable
4 accumulation
5 provision
6 avoidable
7 preventable
8 expenditure
9 recoverable/recovered
10 distinction
11 rectification
12 repetition

Test 47
A semi-variable costs 4
curvi-linear variable costs 7
total fixed costs 2
mainly variable costs 5
total linear variable costs 1
mainly fixed costs 6
stepped costs 3

B a 3 b 7 c 1 d 5
e 4 f 6 g 2

Test 48
1 absorb
2 generate
3 submit
4 cover
5 identify, pinpoint
6 set
7 gain
8 reach
9 reduce, concentrate
10 implement
11 penetrate, boost
12 hold
13 strengthen
14 map out

Test 49
1 in 6 of 11 on
2 on 7 on 12 on
3 to 8 for 13 for, for
4 of 9 of 14 of
5 on 10 in 15 to
16 in

Test 50
1 conflict of interest
2 oriented
3 target
4 long range forecasting
5 modelling
6 cyclical pattern
7 correlation
8 total concept
9 demographic
10 inflation

Test 51
1 budget committee
2 fixed budget
3 budget officer
4 budget period
5 appropriation budget
6 current budget
7 principal budget
8 functional budget
9 selling budget
10 cash budget
11 master budget
Test 52
A 1 favourable  2 adverse
B 1 F  2 A  3 F
  4 A  5 F  6 F
C  a 4  b 2  c 1
  d S  e 6  f 3

Test 53
1 responsibility  9 conform
  2 setting  10 revise
  3 operating  11 comparative
  4 feedback  12 closed-looped
  5 accurate  13 current
  6 variance  14 relevant
  7 delegate  15 sensor
  8 open-looped  16 modify

Test 54
A 1 go ahead  b) proceed  
  2 run into  f) encounter
  3 go over to  g) change
  4 put forward  h) submit
  5 bring in  i) earn
  6 get out of  c) avoid
  7 set out  a) arrange/display
  8 make out  c) understand
  9 bring about  d) cause to happen
B 1 bring about  6 make out
  2 bring in  7 get out of
  3 set out  8 go ahead
  4 run into  9 go over to
  5 put forward

Test 55
1 a) total cost
   b) sales
   c) break-even point
   d) loss
   e) profit
2 f) margin of safety
3 £6,000,000
4 £4,000
5 Graph B

Test 56
1 a) You are required to
2 f) There seems to be
3 h) Let me just clarify
4 b) In other words
5 e) I strongly recommend
6 c) In my opinion
7 g) He is supported by
8 d) I'd prefer

Test 57
1 demand  7 legislation
2 substitutes  8 ceiling, floor
3 competitors  9 full cost
4 behaviour  10 leader
5 discretion  11 elasticity
6 make or buy

Test 58
1 except  8 proceed
2 remind  9 ensure
3 waive  10 defective
4 collusion  11 credible
5 alternative  12 seasonal
6 official  13 prosecuted
7 sight  14 measures

Test 59
1 earnings
2 return
3 capital
4 pay-back
5 forecasts

Test 60
1 unprofitable
2 undecided
3 misunderstandings
4 unsuccessful
5 deregulation
6 unused
7 discontinue
8 inadequate
9 incorrect
10 abnormally
11 underestimated
12 undesirable
13 unexpected
14 irreplaceable
Word list

The numbers after the entries are the tests in which they appear.

A
abnormally 60
absorb 48
account 1
account for 5
account number 10
accountancy 1
accountant 1
accounting 1
accounts 1
accrue 18
accumulated 15
accumulation 46
accurate 53
accurately 46
acid test ratio 36
acquire 39
acquisition 4
actual results 16
addition 3
adjustment 40
adjustments 15
administrative expenses 16, 17
adverse 52
ageing 13
agree with 33
air-conditioning 45
allotment 24
alternative 58
amortization 31
amortize 39
amount 12
amounts falling due after one year 37
annual general meeting 21
annum 40
appended 18
applicable 40
application 24, 41
applications 24
apportion 18
appropriate 44
appropriation 23
appropriation budget 51
arbitrary 43
arise 40
arrange 54
Articles of Association 34
assembly 44
assets 4
assist 26
at 7
attachment 9
audit 4
audit assignment 34
audited accounts 15
auditor 34
authorization 11
average 3
average cost 38
avoid 54

B
backup 9
bad debt 13
balance 2
Balance Sheet 4, 37, 39
bank charges 10
bank overdraft 15
bank statement 10
base rate 10
batch 11
be stable 6
behaviour 57
beneficiary 11
between 7
bid 27
blame for 33
bonus 23
book value 27
boost 48
borrowing 36
break 22
breakage 22
break-even point 55
bring about 54
bring in 54
brought 11, 39
browse 9
fixtures and fittings 37
floor 57
floppy disk 8
flow of funds 41
fluctuating capital account 25
for 49
forecasts 59
foreign currencies 40
forfeit 24
forge 22
forgery 22
formula 3
forward 9
fraud 22
from 7
frustration 45
fuel 31
full cost 57
functional analysis 43
functional budget 51
funds 41
G
gain 48
gearing 35
general reserve 17, 37
generate 41, 48
get out of 54
give an account 5
go ahead 54
go over 32
go over to 54
good morning 19
goodwill 4, 37, 39
grateful 26
gross profit 17
group 21
grow 6
H
historic cost 38
hold 48
hold firm 6
holding company 21
how can I help you 20
I
I'd also like 20
identify 48
I'm afraid 19
implement 48
implied 25
import 9
improve 6
in 49
in line with 33
in other words 56
inadequate 60
income tax 29
incorrect 60
increase 6
incremental 28
incur 40
indebtedness 25
indirect costs 42
insist on 33
install 9
insurance 45
integrated cost 42
interest 4
interim 23
interlocking cost 42
internal 18
interpret 35
inventory 45
investment 36
invoice 12
irreplaceable 60
issue 24
issued 23
item 12
J
joint venture 27
journal 14
jump 6
K
keyboard 8
L
labour 52
labour costs 42
laptop computer 8
launch 27
launch a bid 27
leader 57
lease 31
ledger 2
legislation 57
LIFO 38
limited 21, 25
liquidity 35, 36
loan 4
location 39
long range forecasting 50
look forward to 20, 26
look up 32
loophole 29
loss 2, 45, 55
M
machinery account 31
machinery disposals account 31
mainly fixed costs 47
mainly variable costs 47
maintain same level 6
maintenance 44
make out 54
manufacturing process 43
map out 48
margin 35
margin of safety 55
marginal cost 42
market value 31
master budget 51
material handling 44
material storage 44
maximum 43
May I introduce 19
measures 58
Memorandum of Association 34
mine 31
minority interest 27
misappropriate 22
misappropriation 22
misunderstandings 60
mixture 52
mobile phone 8
modelling 50
modify 53
money laundering 29
monopoly 39
mortgage 31
mouse 8
multiplication 3
my name is 20
N
negative goodwill 39
net current assets 37
net realizable value 38
net worth 36
network 9
nice to see you 19
nominal 23, 24
non-contributory 28
non-profit-making 21
Notice of Appeal 30
O
obsolete 31
of 7, 49
official 58
offline 9
oil well 31
on 49
on account 5
on account of 5
on no account 5
on their own account 5
online 9
open-looped 53
operating 53
operating income 17
opinion 56
ordinary 16, 23
ordinary activities 17
oriented 50
overcast account 14
overdraft facilities 10
overhead 44
overstate 44
oversubscribe 24
P
packing 44
pager 8
paper and pencil 8
partner 25
partnership 21
patent 31, 39
pay-back 59
penetrate 48
pension 40
per annum 40
percentage 3
personal computer 8
petty cash 11
pilfer 22
pinpoint 22, 45
pinpoint 48
plant 31
please take a seat 19
policy 40
prefer 56
preference 23
preliminary 23
premises 39
preventable 46
price earnings ratio 36
prime cost 38 43
principal budget 51
printer 8
prior period 34
private limited 21
proceed 54, 58
production 44
production run 45
production set-up 44
profit 2, 55
Profit and Loss Account (P&L Account) 17, 19, 37
profitability 36
profitable 46
progressive tax 29
projected results 21
prosecuted 58
provision 13, 15, 31, 46
provision for depreciation 31
public limited 21
publish 18
purchases 2
purchasing 44
put forward 54
Q
quality control 44
quantity 12
quarry 31
R
rate 3
ratio 3, 36
raw materials 38
reach 48
realization 25
reason for 33
recommend 30, 56
recover 6
recoverable 46
recovered 46
rectification 46
redeemable 23
reduce 6
reducing balance 31
refer to 33
refund 24
reissue 24
release 41
relevant 53
relief 28
remain constant 6
remind 58
remitter 11
remuneration 18
repetition 46
replacement cost 38
require 56
research and development 39
resell 31
reserves 39
respect 40
responsibility 53
responsible for 33
retain position 6
retained 16
retained profits 17
retirement 28
return 13, 59
returns 13
revalue 31
reversal of entries 14
revise 53
rise 6
rocket 6
rot 31
ruling 40
run into 54
running costs 45
S
sale or return 38
sales 55
sales day book 13
sales mix 35
save 9
scanner 9
scrap 31
screen 8
search engine 9
seasonal 58
second call 24
security 45
sell 44
sell off 32
selling budget 51
semi-variable costs 47
sensor 53
server 9
set 48
set aside 32
set out 32, 54
setting 53
setting-up 45
share capital 37
shares 4, 24
shares issue 24
show interest 27
shrink 6
sight 58
silent partner 25
skilled labour force 39
slow down 6
slump 6
soar 6
solvent 35
sort code 10
source 41
sourcing 44
spam 9
spreadsheet 9
standing order 10
state 40
statistical sampling 34
statutory 28
statutory audit 34
stepped costs 47
stock 2, 37, 45
stock exchange 21
stock level 38
stock-take 18
stockturn 35
stoppages 45
straight-line 31
strengthen 48
strongly 56
submit 48, 54
subsidiary 21
substantive test 34
substitute 57
subtraction 3
suffer 6
suitable 19
sum of the year's digits 31
support 56
suspicious of 33

T
take into account 5
take-over bid 27
tangible assets 37
target 50
tax deductible 29
tax evasion 29
tax haven 29
tax loss 29
tax point 12
tax shelter 29
teeming and lading 34
terms 12
that's right 20
theft 31
threshold 11
to 7, 49
tooling 45
total concept 50
total cost 55
total fixed costs 47
total linear variable costs 47
trade discount 12, 13
trade in 31
trade mark 39
trading and profit and loss account 17
transaction 11
transport 45
trend 35
trial balance 2
turn out 32
turning to 26
turnover 16, 17, 35

U
unavoidable 46
uncalled 23
undeclared 60
undercast account 14
underestimated 60
understand 54
undesirable 60
unemployment 28
unexpected 60
unit price 12
unprofitable 60
unsuccessful 60
unused 60
update 9
urgent 45
usage 52
use of assets 36
useful 39

V
value added tax 12, 29
variable 35
variance 52, 53
virus 9

W
wages 45
waive 58
walk through test 34
warehouse 45
wastage 22
waste 22

wear and tear 31
website 9
weekly 28
well-known 39
width 28
withdrawal 2
work-force 45
working capital 41
work-in-progress 38
would you like 19
write off 32

Y
yield 35
Yours faithfully 30
Yours sincerely 26, 30
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