



- **account** (accounts) N-COUNT  
**profit and loss account** (profit and loss accounts) N-COUNT  
**P&L** ABBREVIATION

**Accounts** are detailed records of all the money that a person or business receives or spends. A company's **profit and loss account** is a financial record, published at the end of each financial year, that shows whether it has made a profit or a loss. The abbreviation **P&L** is also used.

*He kept detailed accounts.*

*The net profit shown in the profit and loss account ...the previous year's P&L figures.*

- **balance sheet** (balance sheets) N-COUNT

A **balance sheet** is a written statement of the amount of money and property that a company or person has, including amounts of money that are owed or are owing. **Balance sheet** is also used to refer to the general financial state of a company.

*If you're in business for yourself, you'll be filing an income and expense statement and, in most cases, a balance sheet.*

*Rolls-Royce needed a strong balance sheet.*

- **international accounting standards (IAS)**

N-PLURAL

**international standard (IS) account**

(international standard accounts) N-COUNT

**GAAP** ABBREVIATION

**International accounting standards** are a set of internationally-agreed principles and procedures relating to the way that companies present their accounts. The abbreviation **IAS** is also used. **International standard accounts**, or **IS accounts**, are accounts that follow international accounting standards. **GAAP** is an accounting system based on generally-accepted methods of accounting. **GAAP** is an abbreviation for 'generally accepted accounting principles'.

*The World Bank is making its loans to some companies conditional on their adoption of international accounting standards.*

*Should we have our own national standards or just use IAS?*

*Quoted companies now understand that if they don't produce international standard accounts, they won't find support from foreign investors.*

*All figures are based on US GAAP.*

- **results** N-PLURAL  
**interim results** N-PLURAL

A company's **results** are the set of figures, published at regular times, that show whether it has made a profit or a loss. When the figures are published outside these regular times, they are referred to as **interim results**.

*CGU is due to report its annual results to shareholders this week.*

*He pleased the City on Thursday by announcing first-quarter results ahead of expectations.*

*Interim results released last month showed a 6% rise to £256m.*

- **audit** (audits, auditing, audited)

1 VERB

When an accountant **audits** an organization's accounts, he or she examines the accounts officially in order to make sure that they have been done correctly.

*They audit our accounts and certify them as being true and fair.*

2 N-COUNT

An **audit** is an official examination of an organization's accounts.

*The bank first learned of the problem when it carried out an internal audit.*

- **auditor** (auditors) N-COUNT

An **auditor** is an accountant who officially examines the accounts of organizations.

*An inquiry by the company's auditors revealed a series of fundamentally incorrect accounting entries over several years.*

*Most corporations aren't public and don't require auditing; the corporations that do often select a major firm as an auditor.*

- **bottom line** (bottom lines) N-COUNT

The **bottom line** is the total amount of money that a company has made or lost over a particular period of time.

*These small promotions were costly and they did nothing to increase his bottom line.*

*...to force chief executives to look beyond the next quarter's bottom line.*

- **asset** (assets) N-COUNT  
**liability** (liabilities) N-COUNT

The **assets** of a company are all the things that it owns. A company's or organization's **liabilities** are the sums of money which it owes.

*The company had assets of \$138 million and liabilities of \$120.5 million.*

- **tangible asset** (tangible assets) N-COUNT  
**intangible asset** (intangible assets) N-COUNT  
**current asset** (current assets) N-COUNT  
**fixed asset** (fixed assets) N-COUNT

**Tangible assets** are assets which are physical in nature, such as factories and offices. **Intangible assets** are assets which are non-physical in nature, such as patents and trademarks.

**Current assets** are assets which a company does not use on a continuous basis, such as stocks and debts, but which can be converted into cash within one year. **Fixed assets** are assets which a company uses on a continuous basis, such as property and machinery.

*Capital, in the form of tangible assets such as machinery or intangible assets such as money, can be a key consideration.*

*The company listed its current assets at \$56.9 million.*

*Investment in fixed assets is an important vehicle for ensuring that the latest technology is available to business.*

- ➔ **return:** Topic 7.5; **revenue:** Topic 8.1; **turnover:** Topic 10.2



## PRACTISE YOUR VOCABULARY

1 Divide these four words into two pairs of opposites.

profit   asset   liability   loss

2 Match each term on the left with the correct definition on the right.

- |                           |  |
|---------------------------|--|
| a audit                   | i An accounting statement at the end of the financial year of a firm's sales revenue and costs.  |
| b balance sheet           | ii The audited financial statement of an organization which systematically records transactions. |
| c profit and loss account | iii An accounting statement of a firm's assets and liabilities.                                  |
| d interim results         | iv A legally required review of a company's accounts to establish their validity.                |
| e accounts                | v An unaudited progress report issued by a company to keep investors up to date.                 |
| f the bottom line         | vi The most important part of the accounts telling how much profit the firm has made.            |

3 Put these events in the financial year into the correct order.

- a Company accounts published   b Interim report published   c Audit

4 Read the paragraph and put the terms in the box into the correct place.

*interim   profit and loss account   auditors   balance sheet   liabilities   accounting standards   results   assets*

Public Limited Companies (PLCs) are required by law to publish end-of-year financial statements. This report on the financial performance, or \_\_\_\_\_ of the company must include at least a \_\_\_\_\_ and a \_\_\_\_\_, so that shareholders can assess the performance of the company. \_\_\_\_\_ check the accuracy of the accounts and often apply national or internationally recognised \_\_\_\_\_. The balance sheet shows the firm's \_\_\_\_\_ and \_\_\_\_\_, whilst the profit and loss account tells shareholders what kind of return to expect on their investment. Companies often publish half-yearly or \_\_\_\_\_ results, especially if they need to warn shareholders of poor results. If a firm is doing well it can report a strong balance sheet, however.

5 Read this section from the minutes of a meeting to discuss the Westland takeover bid and answer the question.

### ABC GROUP

#### MINUTES

Meeting of the Board of Directors, 19 June 2002

##### 5.1 Valuation of Assets:

The Westland takeover offers a fair price for our current assets, but undervalues our fixed assets and seriously undervalues our intangible assets.

Which of these assets are fairly priced, which are undervalued, and which are seriously undervalued?

- |            |               |         |              |             |
|------------|---------------|---------|--------------|-------------|
| a premises | c brand names | e cash  | g equipment  | i know-how  |
| b goodwill | d land        | f stock | h copyrights | j machinery |