

3 Accounting and accountancy

A Accounting

- **Accounting** involves recording and summarizing an organization's transactions or business deals, such as purchases and sales, and reporting them in the form of financial statements. (See Units 11–14) In many countries, the accounting or accountancy profession has professional organizations which operate their own training and examination systems, and make technical and ethical rules: these relate to accepted ways of doing things.
- **Bookkeeping** is the day-to-day recording of transactions.
- **Financial accounting** includes bookkeeping, and preparing financial statements for shareholders and creditors (people or organizations who have lent money to a company).
- **Management accounting** involves the use of accounting data by managers, for making plans and decisions.

B Auditing

Auditing means examining a company's systems of control and the accuracy or exactness of its records, looking for errors or possible **fraud**: where the company may have deliberately given false information.

- An **internal audit** is carried out by a company's own accountants or internal auditors.
- An **external audit** is done by **independent auditors**: auditors who are not employees of the company.

The external audit examines the truth and fairness of financial statements. It tries to prevent what is called 'creative accounting', which means recording transactions and values in a way that produces a false result – usually an artificially high profit.

There is always more than one way of presenting accounts. The accounts of British companies have to give a **true and fair view** of their financial situation. This means that the financial statements must give a correct and reasonable picture of the company's current condition.

C Laws, rules and standards

In most continental European countries, and in Japan, there are laws relating to accounting, established by the government. In the US, companies whose stocks are traded on public stock exchanges have to follow rules set by the Securities and Exchange Commission (SEC), a government agency. In Britain, the rules, which are called **standards**, have been established by independent organizations such as the Accounting Standards Board (ASB), and by the accountancy profession itself. Companies are expected to **apply** or use these standards in their **annual accounts** in order to give a true and fair view.

Companies in most English-speaking countries are largely funded by shareholders, both individuals and financial institutions. In these countries, the financial statements are prepared for shareholders. However, in many continental European countries businesses are largely funded by banks, so accounting and financial statements are prepared for creditors and the tax authorities.

3.1 What type of work does each person do, and what is the name of each job? Look at A and B opposite to help you.

1 I record all the purchases and sales made by this department.

2 This month, I'm examining the accounts of a large manufacturing company.

3 I analyse the sales figures from the different departments and make decisions about our future activities.

4 I am responsible for preparing our annual balance sheet.

5 When the accounts are complete, I check them before they are presented to the external auditors.

3.2 Match the two parts of the sentences. Look at C opposite to help you.

- 1 In Britain
 - 2 In most of continental Europe and Japan
 - 3 In the USA
 - 4 In Britain and the USA
 - 5 In much of continental Europe
- a accounting rules are established by a government agency.
 - b companies are mainly funded by shareholders or stockholders.
 - c accounting rules are set by an independent organization.
 - d the major source of corporate finance is banks.
 - e accounting rules are set by the government.

3.3 Find verbs in A, B and C opposite that can be used to make word combinations with the nouns below.

.....
.....

an audit

.....
.....

standards

.....
.....
.....

rules

.....
.....

transactions

Over to you



Is accounting in your country based on standards, rules, laws, or a mixture of these? What accounting system do international companies in your country use?

6_ In no more than 8 lines, give a summary then translate it into arabic language

Note: Each student is required to complete this task and submit it in the next physical attendance class. Similar works, two or more, will not be considered in the continuous assessment.

ملاحظة: على كل طالب إنجاز هذا العمل وتقديمه في الحصة الحضورية القادمة، وكل عملين أو أكثر متشابهين لن يتم أخذهم بعين الاعتبار في التقييم المستمر

Full name :

group :