

# 4

## Company performance

This unit covers:

### TOPICS

- Financial statements
- Company reporting
- Definition of accounting
- Accounts receivable
- Disclosure
- Big Four accounting firms
- Investments
- The balance sheet
- Fund management

### SKILLS

- Reading: text completion, word formation, vocabulary building
- Listening: listening for detail, listening and speaking
- Speaking: talking about your work style, presenting financial terms
- Writing: reports: planning your writing, accuracy

## READING

### ■ Section A Skills

#### TALKING POINT

Discuss these questions with a partner.

- 1 What is accounting?
- 2 When did it start?
- 3 How has accounting changed in modern times?

#### 1 Sentence completion

Read the text and complete it with the words in the box.

assets bookkeeping credit debit entries errors measures  
practices principles reform relationships transactions

#### DEFINITION OF ACCOUNTING

Accounting is the measurement of financial (1) \_\_\_\_\_ which are transfers of legal property rights made under contractual (2) \_\_\_\_\_. Non-financial transactions are specifically excluded due to conservatism and materiality principles. At the core of modern financial accounting is the double-entry (3) \_\_\_\_\_ system. This system involves making at least two (4) \_\_\_\_\_ for every transaction: a (5) \_\_\_\_\_ in one account, and a corresponding (6) \_\_\_\_\_ in another account. Basically, the sum of all debits should always equal the sum of all credits; this provides a simple way to check for (7) \_\_\_\_\_. This system was first used in medieval Europe; however, claims have been made that the system dates back to Ancient Rome or Greece. According to critics of standard accounting (8) \_\_\_\_\_, accounting has changed little since. In each generation, accounting (9) \_\_\_\_\_ of some kind has been made in order to try to keep bookkeeping relevant to capital (10) \_\_\_\_\_ or production capacity, but such changes have not altered the basic (11) \_\_\_\_\_ of accounting. In recent times, the divergence of accounting from economic principles has resulted in controversial (12) \_\_\_\_\_ to make financial reports more indicative of economic reality.