

2. The value of an asset at the time of purchase is called.....

3. The reliability of information in financial statements is checked by

4. To calculate depreciation, the of an asset is divided to its.....

Understandable Information: To be understandable, the financial information must be **comparable**. Any item on the Balance Sheet that an accountant labels as an Asset or Liability, users of the financial statements should also call Assets and Liabilities. Statement users must compare financial statements of various firms with one another, and they must compare statements of an individual firm with prior years' statements of that same firm in order to make valid decisions. Thus, the accounting practices that a firm uses for a **particular transaction** should be the same as what other firms use for the identical transaction. This practice should also be the same practice the firm used in previous periods. This concept is called **consistency**. Together, information that is comparable and consistent becomes understandable to the users of the financial information.

Quantifiable Information: Information is easier to understand and use if it is quantified. Most information that accountants and users of financial information use is represented by numbers. The information that is presented in the financial statements is presented in a numerical form; however, where it is impossible, the information (if it is relevant, reliable, understandable, and practicably obtainable) will be presented in a narrative form, usually in a

footnote to the statements. Accountants include narrative information along with the quantifiable information because of the need for adequate or **full disclosure**.

Obtainable Information: To be useful, information must be reasonably easy to obtain. This fits into the concept of **cost vs. benefit**. The information must be worth more than what it will cost to obtain. Financial statements must be prepared at least once a year (in many cases, quarterly or monthly) and attempting to incorporate unobtainable information could seriously delay these schedules. An example of obtainable information is the number of shares sold by the corporation during the year. Another example would be the amount of sales by the business during the year. An example of information that might not be considered obtainable would be the details of the **pension plan** systems used in each of the subsidiaries of a multinational corporation.

1. similar:.....	2. names:.....	3. different:.....
4. previous:.....	5. specific:.....	6. exactly similar:.....
7. fixed:.....	8. in numbers:.....	9. descriptive:.....
10. enough:.....	11. valuable:.....	12. yearly:.....
13. include:.....	14. timetables:.....	15. branches:.....

1. An item should be labeled differently by accountants and users.
True False

2. Information that is understandable and consistent is comparable for the users.
True False

3. Information in financial statements is mainly quantitative not qualitative.

True False

4. Timely preparation of financial statements needs inclusion of obtainable information.

True False

1. A comparable financial statement is the one which can be compared to ones of the same firm and financial statements of

2. Using the same practices in all accounting periods is called

3. Information in both numerical and narrative form should be and

4. The information which is easy to collected is called information.

■ Generally Accepted Accounting Principles

The Entity Concept: Financial statements must present information about each **entity** separately. In other words, the transactions of each business or person are **kept separate** from those of other organizations or individuals. Therefore, the transactions of the subsidiaries of a multinational corporation must all be kept separate from each other. Even though at the end of the year, the records of all of the subsidiaries might be **consolidated into** one set of financial statements, the records and transactions of each subsidiary are kept separate during the year.

The Going Concern: It is normally assumed that a company will continue in business into the future. This concept is called the Going Concern Principle.

There are several estimates that we make in order to complete the financial statement presentations (for example, depreciation of an Asset over its life), and if we did not assume that the company was going to remain in business in the indefinite future, we could not use this sort of information.

The alternative to the Going Concern Principle is to assume that management plans to **liquidate the business**. When this is known for sure about a business, a different set of accounting principles and rules are used. In general, when a company liquidates, the Assets of the company will be listed at what they can be sold at rapidly. This amount will usually be below their values stated on the Balance Sheet, since they will be sold at “**fire sale**” prices.

Historical Cost Principle: According to Historical Cost Principle, most Assets and Liabilities should be represented on the Balance Sheet at the amount that was paid to **acquire the Asset**, or for the Liabilities, at the amount that was **contracted** to be paid in the future. No account is taken for either **inflation** or changing value of Assets over time. For example, if a company has a building which was bought \$100,000 but due to inflation is today worth \$120,000, this Asset should be written down and shown on the Balance Sheet at \$100,000.

1. individual:.....	2. combined:.....	3. thought:.....
4. go on:.....	5. stay:.....	6. endless:.....
7. close:.....	8. certainly:.....	9. low:.....
10. get:.....	11. agreed:.....	12. because of:.....

II. Check true or false.

1. Financial statements should be prepared for every company.

True False

2. The going concern principle makes the estimation of depreciation possible.

True False

3. The going concern principle should be used when a firm is liquidated.

True False

4. Fire sale price is the highest possible value for an asset.

True False

5. Historical cost principle is used for evaluating both liabilities and assets.

True False

III. Complete the following sentences based on the passage.

1. In the entity concept, an entity can be a(n) or

2. Depreciation is a(n)..... which is possible by principle.

3. In liquidation, the most usual price is suggested for an asset.

4. Fair market value is the opposite of

Realizable Value Principle: This indicates that Assets should normally not be shown on the Balance Sheet at a value greater than they can bring to the company if they are sold. For example, if the original historical cost is \$5,000, and the maximum that the company can sell that Asset for today is \$4,000, this Asset should be shown on the Balance Sheet at the lower amount because of this principle.

Materiality: Financial statements' data must be as simple and concise as possible. An item is considered material when its inclusion or exclusion in the financial statements would change the decision of a statement user. A rule of thumb in accounting is that any item worth 10 percent of the business' Net Income is considered material and should be reported in financial statements; there is no firm dollar amount to be followed here.

The important factor to remember is whether the amount in question will change the user's decision. This concept is called the Materiality Principle. Items that are not material should not be included on the statements separately. If these items were included in the financial statements, they would hide the important items of interest to the reader. Thus, in some cases, many immaterial items should be grouped together and called "**miscellaneous**" or the items could be added to other items, so that the total becomes material.

Conservatism: Another traditional practice that accountants use to guide them in preparing financial statements is called Conservatism. Whenever two or more accounting practices appear to be equally suitable to record the transaction under consideration, the accountant should choose the practice which results in the lower or lowest Asset figure on the Balance Sheet and the higher or highest Expense on the Income Statement. This principle of accounting is highly controversial since while being conservative, we may be violating other generally accepted accounting principles like consistency.

- | | | |
|----------------------|----------------------|------------------|
| 1. more:..... | 2. first:..... | 3. exact:..... |
| 4. fixed:..... | 5. not jointly:..... | 6. cover:..... |
| 7. unimportant:..... | 8. whole:..... | 9. seem:..... |
| 10. study:..... | 11. leads:..... | 12. number:..... |

II. Check the points.

1. The realizable value is the historical cost of an asset.

True False

2. Only material items in financial statements influence the users' decisions.

True False

3. The value of material items is absolute not relative.

True False

4. Based on conservatism, assets should be valued as high as possible.

True False

III. Complete the following sentences.

1. The realizable value may be or than the historical cost of an asset.

2. An item is called material, if it

3. Inclusion of immaterial items in a financial statement may of material ones.

4. All the immaterial items in a financial statement can be combined under the title of

■ Exercises

1. Translate the following technical terms into Persian.

New Word , Pronunciation, & Definition	Translation
acquire /ə'kwairə/ <i>to get something by buying</i>	
alternative /əl'tɜ:nətɪv/ <i>a different from of something</i>	
amount /ə'maʊnt/ <i>a quantity of something</i>	
assign /ə'saɪn/ <i>to give someone a job</i>	
audit /'ɒdɪt/ <i>to examine a company's financial records</i>	
benefit /'beneʃɪt/ <i>an advantage that you get from something</i>	
comparable /kəm'pərəəbəl/ <i>similar to something else</i>	
conservatism /kən'sɜ:vətɪzəm/ <i>the belief that things should change as little as possible</i>	
consistency /kən'sɪstənsɪ/ <i>the quality of being the same</i>	
consolidate /kən'sɒlədeɪt/ <i>to combine things</i>	
contract /'kɒntrækt/ <i>an official agreement between two or more people</i>	
cost /kɒst/ <i>the amount of money that you have to pay</i>	
depreciation /de'pri:ʃi'eɪʃn/ <i>a reduction in quality of something</i>	

entity / 'entəti/ a company or firm	
estimate / 'estəmət/ to guess the value, size, speed, cost etc	
evaluate / ɪ 'vælju: et/ to judge how good something is	
FASB Financial Accounting Standards Board	
figure / 'fɪgjər/ a number showing an amount	
fire sale / 'faɪər 'seɪl/ a sale of goods at a lower price	
footnote / 'fʊtnəʊt/ a note at the bottom of the page	
full disclosure / fʊl dɪs kləʊʒə/ telling a secret completely	
historical cost / hɪ 'stɔ: rɪk| 'kɔ: st/ the amount paid for something at the time of purchase	
historical cost principle / hɪ 'stɔ: rɪk| 'kɔ: st 'prɪnsəpl/ a rule stating most assets and liabilities should be represented at the amount that was paid	
inflation / ɪn 'fleɪʃn/ a continuing increase in prices	
item / ɪtəm/ a single thing in a list	
life of asset / 'laɪf əv 'æ set/ useful period of an asset	
liquidate / 'lɪkwə det/ to close a company and sell the things to pay its debts	

long-term /'lɔ:ŋ tɜ:m/

being for a long period of time

materiality /mə'tɪri'æləti/

being important when making a decision

miscellaneous /'mɪsə'leɪniəs/

different things not connected with each other

monetary /mə'nɛ'tɛəri/

relating to money

narrative /'nɛrətɪv/

a description of events

numerical /nu:'merɪkəl/

expressed in numbers

obtainable /əb'teɪnəbl/

able to be obtained

official /ə'fɪʃl/

done formally

pay /peɪ/

to give money to someone

prescribe /prɛ'skraɪb/

to state officially what should be done

quantifiable /kwɒ:'ntə'faɪəbel/

being able to be stated in numbers

realizable value principle /rɪə'lɪzəbl'vælju'prɪnsəpl/

a rule stating that assets should not be shown at a value greater than they can bring to the company if sold

regulations /regjə'leɪʃnz/

official rules or orders

relevant /rɪ'leɪvnt/

directly relating to the subject

reliable /rə'laɪəbl/	
<i>someone or something that can be trusted</i>	
ruling /'ru:lɪŋ/	
<i>an official decision</i>	
SEC /esi:'sɪ/	
<i>the Securities and Exchange Commission</i>	
securities /sɪ'kjʊrətɪz/	
<i>stocks or shares in a company</i>	
shareholder /'ʃeəhəʊldə/	
<i>someone who has shares in a company</i>	
standardize /'stændə daɪz/	
<i>to make all things of one type</i>	
subsidiary /səb'sɪdɪ,erɪ/	
<i>a company that is controlled by another larger company</i>	
the entity concept /ði 'entɪti 'kɒnsept/	
<i>the principle that requires separation of the transactions of each business</i>	
the going concern /ðə 'gəʊɪŋ kən'sɜ:n/	
<i>the principle assuming that a company will continue in business into the future.</i>	
transfer /'trænsfɜ:r/	
<i>to move from one place to another</i>	
understandable /'ʌndər'stændəbl/	
<i>what seems normal and reasonable</i>	
user /'ju:zər/	
<i>someone that uses a product, service etc</i>	
value /'vælju:/	
<i>the amount of money that something is worth</i>	
verifiable /'verə'faɪəbl/	
<i>being able to be proven</i>	

2. Match the items in column A with the items in column B. There is one extra item in column B.

Column A	Column B
1) alternative ()	a. a company or firm
2) benefit ()	b. to close a business or company
3) entity ()	c. a second choice
4) inflation ()	d. in descriptive form
5) liquidate ()	e. a continuing increase in prices
6) narrative ()	f. money from investing
7) quantifiable ()	g. a branch of a big company
8) reliable ()	h. what can be proved
9) subsidiary ()	i. something formal
10) verifiable ()	j. what can be stated in numbers
	k. what you can trust in

3. Fill in the blanks with the given words. There is one extra word in each set.

acquired / consolidate / evaluate / footnote / miscellaneous / numerical / official

1. There was an informative to the passage.
2. Make sure that the files are organized in order.
3. We information from a wide range of sources.

4. The president received a/an invitation to visit Spain.
5. We need to the success of the company.
6. The cardboard box contained a number of items.

regulations / relevant / disclosure / securities / transfer / value / verifiable

1. We make full of the arrangement in the financial statements.
2. We need facts to accept your idea.
3. What experience do you have that is to this position?
4. The house doubled in over two years.
5. Would you please \$500 to my checking account.
6. Under the new, all staff must have safety training.

Balance Sheet

Unit 4

Closing Balance Sheet as at 31. December of Year 2011

Assets	Liabilities
Fixed assets 1. tangible assets (e.g. land, building, plant) 2. intangible assets (e.g. patent, licence, brands, goodwill)	Equity capital=shareholders' funds 1. share capital 2. cumulated retained profit (reserve) 3. annual retained profit (surplus or deficit)
Current assets 1. inventories (stocks) 2. debtors 3. cash or cash equivalent	Liabilities 1. long-term liabilities (e.g. loans, financial lease) 2. current liabilities (e.g. trade creditors, bank overdrafts, payable, customer payables)
Total Assets	Total Liabilities & Equity

Objectives

In this unit you will learn briefly about:

- the elements of Balance Sheet
- components of Balance Sheet
- Balance Sheet in detail

■ Elements of Balance Sheet

Imagine that you make a list of everything that is important to you. Along with this list, you attach values to all of these items. Then you make a list of everything that you owe to others, and again you attach values to these items. Then you **subtract** the total value of the second list from the **total** value of the first. Now you have just created the basic components of a *balance sheet*.

In a business, the first list of items is called *assets*. Assets are valuable resources owned by the business and can be either short- or long-term in nature. Your second list of items is called *liabilities*. Liabilities are what you owe to others for resources that were furnished to the business. The parties to whom the company owes money are normally called creditors. The creditors are said to have a claim against the assets. Your third list can be labeled *owner's equity*. Owner's equity reflects the amount the owner has invested in the firm. There are two sources of owner's equity: a) the amount of money provided directly by the owner or other investors, called owner's investment; and, b) the amount retained from profits, called retained earnings.

There is a great deal of disagreement as to how accountants arrive at the values that are shown on the balance sheet. Of most concern are the values attached to the assets, and consequently to the owner's equity or net worth of the business. The balance sheet represents a "snapshot" of the **financial position** of the business on that specific date. The numbers that are represented in a balance sheet only represent the financial position of the business at the

exact point in time for which the balance sheet was prepared and no other.

Often the relationships between Assets (A), Liabilities (L), and Owner's Equity (OE) are shown in terms of a formula:

$$\text{Assets (A)} = \text{Liabilities (L)} + \text{Owner's Equity (OE)}.$$

The total assets of the company equal the **sum** of the liabilities and the owner's equity. The formula depicts the relationships of the various elements of the balance sheet. Balance sheets are often set up with the assets on one side (the left side) and the liabilities and owner's equity on the other (the right side). If you **subtract the liabilities from** the assets, you are left with the owner's equity of the business. The same formula can be stated this way:

$$\text{Assets} - \text{Liabilities} = \text{Owner's Equity}$$

- | | | |
|-------------------|-----------------------|----------------|
| 1. give:..... | 2. whole:..... | 3. parts:..... |
| 4. provided:..... | 5. named:..... | 6. shows:..... |
| 7. kept:..... | 8. so much:..... | 9. get :..... |
| 10. worry:..... | 11. as a result:..... | 12. pure:..... |
| 13. picture:..... | 14. shows:..... | 15. said:..... |

True or False

1. In the balance sheet, everything is qualitative.

True False

2. Liabilities are the items that a company owns.

True False

3. Liabilities are the creditors' claims against the company assets.

True False

4. Measuring the assets and owner's equity is very important.

True False

5. Owner's equity equals liabilities minus assets.

True False

III. Complete the following sentences based on the passage

1. Assets, liabilities, and owner's equity are the of the balance sheet.

2. Those who have claims against the company's assets are called

3. The money earned by investing activities is called

4. If you subtract the owner's equity from the assets, will remain.

■ Components of the Balance Sheet

Assets: Assets are items that are of value and are owned by the entity for which you are accounting. For an asset to be listed on a balance sheet of a company, the item must pass three tests. Firstly, the company must control the item which usually means **ownership**. A traditional balance sheet does not list the employees of a company, even though we may refer to them as "assets" in a non-accounting sense. Second, the item must have some value to the company. An old truck that does not work any longer or an old version of computer software is an asset which is no longer valuable. Third, the item must have value that can be measured. Let's assume that a company has built up a

thriving business, and some of the reasons for this **growth** are the reputation of the owner and the location of the company. None of them can be defined as an asset because they cannot be measured.

Assets on the balance sheet are normally subdivided into two categories of short-term assets (current assets) and long-term asset (non-current assets). Short-term assets are those items which will be used or converted into cash within a period of one year or less while long-term assets are not expected to be converted to cash or totally “used up” in a year or less. Long-term assets include **equipment, land, and buildings**.

Assets are also classified into *tangible* and *intangible assets*. Tangible assets are those assets which have a physical reality. *Intangible assets* are assets that cannot be physically touched. They must still meet the three tests mentioned earlier in order to be listed on the balance sheet as an asset. Some examples of intangible Assets include **trademarks, copyrights, and patents** as long as they have been purchased from the prior owner of the business.

- | | | |
|---------------------|---------------------------|--------------------|
| 1. staff:..... | 2. meaning:..... | 3. evaluated:..... |
| 4. successful:..... | 5. fame:..... | 6. classes:..... |
| 7. changed:..... | 8. consist of:..... | 9. tools:..... |
| 13. stated:..... | 14. invention notes:..... | 15. previous:..... |

1. Not all valuable things to a company can be defined as its assets.
True False

2. In an accounting sense, a company's staff is its asset.

True False

3. Every item in the assets list should be stated in a numerical form.

True False

4. Non-current assets are converted into cash within a year or less.

True False

5. Properties are non-current assets of a company.

True False

6. Buildings are long-term tangible assets of a firm.

True False

III. Complete the following sentences based on the passage.

1. By the ownership test, we mean the company should the asset.

2. Reputation of the owner is not an asset because

3. Another name for "long-term assets" is

4. Trademarks and copyrights are examples of if

Liabilities: Similar to assets, liabilities are classified into short-term and long-term. Short-term liabilities will be paid off in a period not to exceed one year. The Long-term liabilities will remain as **debt** to the company for longer than one year. With this or any long-term debt, a **portion** of it becomes due and payable each year. Thus, most companies' balance sheets show the current portion of all long-term debt separately in the short-term liabilities section.

Owner's Equity: Equity of a company comes from two sources. The

owner's investment which represents the amount invested in the business by the owner through the purchase of various assets or as money in the bank that is meant for the business. The retained earnings which represent the amount of profit earned by the business since its inception minus any money that the owner may have taken out for his or her personal use.

It should be noted that the retained earnings in a business are not equal to cash, that is, money in the bank. Just because a company has kept profits in the business over the years does not mean that all of these profits have been retained in the form of cash. For instance, after the company earns a profit, it may take that cash and purchase assets or pay off some of its liabilities. Business owners often assume that they are doing well because they are making profits without taking into account the amount of cash they have at their disposal.

1. Find a synonym for each of the following items in the passage.

- | | | |
|-------------------------------|-------------------------------|------------------------------|
| 1. <i>be more than</i> :..... | 2. <i>stay</i> :..... | 3. <i>section</i> :..... |
| 4. <i>not jointly</i> :..... | 5. <i>shows</i> :..... | 6. <i>beginning</i> :..... |
| 7. <i>similar</i> :..... | 8. <i>kept</i> :..... | 9. <i>for example</i> :..... |
| 10. <i>suppose</i> :..... | 11. <i>considering</i> :..... | 12. <i>available</i> :..... |

13. Check the correct answer.

1. The cut-off point for long-term and short-term liabilities is one year.
 True False
-
2. If a debt is due, it must be paid at a particular time.
 True False

3. Money withdrawal from the owner's bank account decreases the retained earnings.

True False

4. It's enough to check the owner's bank account to measure a company's retained earnings.

True False

III. Complete the following sentences based on the passage.

1. Liabilities which are due less than are long-term ones.

2. The higher the owner's investment, the higher a company has.

3. The profits from the investing activities are called.....

4. The amounts of retained earnings is always than the available cash.

■ Balance Sheet in Detail

As stated before, the Balance Sheet lists the assets, liabilities, and owner's equity accounts of the company. The Balance Sheet is prepared as on a particular day, and the accounts reflect the balances that existed at the close of business on that day. The Balance Sheet is prepared on the last day that the income statement covers, so if the income statement is for the period ending December 31, 2013, the balance sheet would be as on December 31, 2013.

The following table shows the typical accounts that are classified as assets, liabilities, and owner's equity accounts. These accounts are defined in the following section.

Assets	Liabilities	Owner's Equity
●Cash	●Accounts payable	●Common stock
●Accounts receivable	●Salaries payable	●Paid-in capital
●Prepaid expenses	●Taxes payable	●Retained earnings
●Inventory	●Unearned revenue	
●Land	●Notes payable	
●Building	●Bonds payable	
●Equipment		
●Vehicles		

The first list is the list of assets. Assets are the items owned by the company or expenses that have been paid for but have not been used up. It includes the following items: a) *cash*, the amounts held in currency and coin and amounts in bank accounts, b) accounts receivable, the amounts owed to the company generally for sales that it has made, c) prepaid expenses, the expenses such as prepaid insurance and prepaid rent that have been paid for but have not yet been used up, d) *inventory*, the goods that a company has available for resale, e) *land* and *building*, the **properties** owned by the company, and f) *equipment* and *vehicles*, the machines owned by the company for manufacturing and transportation.

Liabilities as the second list are the amounts owed by the company. It includes a) accounts payable, the amounts owed by the company for goods and services that have been received, but have not yet been paid for, b) salaries payable and taxes payable, the amounts that are owed but have not been paid

at the end of a period, c) unearned revenue, the money that has been paid by customers for goods or services which should be provided, and d) notes payable and bonds payable, the amounts owed by the company that have been formalized by a note and a bond.

Equity as the third party is the amounts contributed to the company by the owners (contributed capital) plus the residual earnings of the business (retained earnings). In this list, you can find: a) common stock, shares of ownership sold to the public, b) paid-in capital, capital contributed to a corporation by investors through purchase of stock from the corporation and c) retained earnings, the residual earnings of the company.

Find a synonym for each of the following words in the passage.

- | | | |
|-------------------|------------------------|---------------------|
| 1. specific:..... | 2. at the end of:..... | 3. usual:..... |
| 4. kept:..... | 5. list of goods:..... | 6. production:..... |
| 7. carrying:..... | 8. taken:..... | 9. wages:..... |
| 10. income:..... | 11. users:..... | 12. documents:..... |
| 13. given:..... | 14. remaining:..... | 15. shares:..... |

1. The balance sheet is an up-to-date financial statement.

True False

2. The items in owner's equity are more than those of the other two lists.

True False

3. The company's car insurance which will be expired 6 months later is an account receivable.

True False

4. Salaries payable are the accounts which should be paid off before the beginning of a period.

True False

III. Complete the following sentences based on the passage.

1. Unearned revenue is an account in the list.

2. Some examples of tangible assets are

3. If a company sells its product before it is finished, its account will be

4. The components of the owner's equity are..... and.....

■ Exercises

1. Translate the following technical terms into Persian.

New Word, Pronunciation, & Definition	Translation
<p>bond /'bɒ:nd/ a document showing that a company pays back the borrowed money with interest</p>	
<p>building /'bɪldɪŋ/ a structure such as a house or factory</p>	
<p>claim /'kleɪm/ an official request for money</p>	
<p>contribute /kən'trɪbjʊ:t/ to give money, help, ideas etc</p>	
<p>convert /'kɒ:nvɜ:t/ to change something into a different form</p>	

copyright / 'kɔ:pi raɪt/ <i>the legal right to a book, play, or film</i>	.....
currency / 'kʌ:rənsi/ <i>the type of money that a country uses</i>	.....
customer / 'kʌstəmə/ <i>someone who buys goods or services</i>	.....
debt / 'det/ <i>a sum of money that a person or organization owes</i>	.....
disposal / dɪ'spəʊzəl/ <i>the sale of something you own</i>	.....
due / du:/ <i>expected to happen at a particular time</i>	.....
equipment / ɪ'kwɪpmənt/ <i>the tools, machines etc that you need to do a job</i>	.....
financial position / fə'nænʃl pə'zɪʃn/ <i>the state of company</i>	.....
growth / grəʊθ/ <i>an increase in amount, number, or size</i>	.....
insurance / ɪn'ʃʊərəns/ <i>an arrangement with a company to pay you money if something bad happens to you</i>	.....
intangible / ɪn'tændʒəbl/ <i>valuable things that do not exist physically</i>	.....
inventory / ɪn'ventɔ:ri/ <i>all the goods in a shop</i>	.....
land / lænd/ <i>an area of ground used for building</i>	.....
net worth / net'wɜ:θ/ <i>the value of something without the effect of something else</i>	.....

non-current /'nɔ:n'kɜ:rənt/
not happening or existing now

note /nəʊt/
an official letter or document

owner's equity /'əʊnəz'ekwətɪ/
the ownership capital base of a business

owner's investment /'əʊnəz'ɪn'vestmənt/
the money owners invest in a company

ownership /'əʊnə'sɪp/
the fact of having something

patent /'pætənt/
a document that gives you the right to sell an invention

pay off /'peɪ'ɒf/
to give somebody all money you have

portion /'pɔ:ʃn/
a part of something larger

prepaid /'pri'peɪd/
paid for before it is used

properties /'prɒ'pɜ:tɪz/
things that someone owns

receivable /rə'si:vəbəl/
needing to be paid

resale /'ri:seɪl/
the act of selling goods you have bought

residual /rə'zɪdʒu:əl/
remaining after a process

resources /'ri:sɔ:rsəz/
all the money, property, skills etc that you have

retained earnings /rə'teɪnd 'ɜ:nɪŋz/ one of two basic sources of the owners' equity	
salary /'sæləri/ money that you receive as payment	
subtract /səb'trækt/ to take a number from a larger	
sum /'sʌm/ an amount of money	
tangible /'tændʒəbəl/ something you can touch or feel	
total /'təʊtəl/ complete	
trademarks /'treɪd,mɑ:ks/ a special name, sign, or word that is marked on a product	
unearned /ʌ'nɜ:nd/ the money that you own but has not been received	

2. Match the items in column A with the items in column B. There is one extra item in column B.

Column A	Column B
1) copyright ()	a. the tools you need to do a particular activity
2) currency ()	b. an official letter or document
3) equipment ()	c. the legal right to be the only owner of something
4) inventory ()	d. a document that gives you the right of an invention

5) notes ()	e. the type of money that a country uses
6) patents ()	f. a list of all things in a place
7) properties ()	g. the act of selling goods that you have bought
8) resale ()	h. selling goods you have bought from someone
9) customer ()	i. someone who buys goods from a shop
10) resources ()	j. all things you have available for use
	k. a building, a piece of land, or both together

3. Fill in the blanks with the given words. There is one extra word in each set.

contribute / claim / copyright / customer / debt / growth / insurance

1. Who owns the of this book?
2. City employees cannot to political campaigns.
3. Some banks offer a poor level of service.
4. We can see a period of rapid in the economy.
5. Companies that their products are environmentally friendly.
6. Do you have any on your house and car?

ownership / portion / disposal / intangible / land / receivable / converted

1. The company was returned to private in mid-1987.
2. Mr. Jackson has a lot of cash at his

3. He angrily ordered us to get off his
4. He owns a large of the company.
5. The stocks can be easily to cash.
6. Customer goodwill is an example ofasset.

