Business Result Unit 12. Reading Test SURNAME NAME GROUP

Background

The real language of business

Part A

JP: So how did accountancy start?

DR: People have kept records since trade began. In ancient Mesopotamia tokens were used to represent crops and animals. By the Roman Empire it had become quite sophisticated and was used for tax purposes and to record the amount of money and goods in the treasury. Roman numerals were used until several hundred years ago. They were OK for addition and subtraction, but unsuitable for anything more complicated.

JP: I see. So what was the big breakthrough then?

DR: The introduction of Hindu-Arabic numerals we use today, definitely. They were popularized by the Italian mathematician, Fibonacci, in his *Book of Calculation*. He invented commercial arithmetic that went together with the abacus and trade. It was a gradual but total revolution.

JP: OK, so that was the first big step. What was the second?

DR: Double-entry bookkeeping and the classification of every operation in terms of a debit or credit. Again, this developed in Italy during the thirteenth century. It spread after Luca Pacioli's essay was published in 1494. It was widely followed by merchants and its use appears in their ledgers. Everything evolved from this really. Pacioli is widely regarded as the father of accountancy.

Part B

JP: So what about balance sheets then? When did they appear?

DR: About a hundred years later. As you know, a balance sheet is the summary of the activity of a business at a point in time. It is usually prepared at the end of each financial year and summarizes the assets and liabilities of a firm and how it is capitalized.

JP: And is accountancy the same all around the world now?

DR: Yes and no. Everybody uses a variation of double-entry bookkeeping, but generally accepted accounting principles may vary between countries. Conventions on how to feature assets such as 'good will', or value a firm's property and the inventory it holds can be quite different. There is pressure within Europe to harmonize accountancy rules, but there is still a fair way to go.

JP: I see, so it is a very complicated business.

DR: Indeed, and nothing more so than the auditing of company accounts. The whole idea of an audit is to verify that the accounts provide a fair and honest picture of the financial health of a company. This should be done as objectively as possible. Accounting has become increasingly creative and auditing more complicated. Sadly this has led to events like the Enron scandal. Enron executives were involved in false accounting. Their auditors, Arthur Andersen, were found guilty of covering up Enron's misdeeds and went out of business.

JP: But fortunately accountants do more than just audit, don't they?

DR: Oh yes. There are many areas of accountancy. Financial accountants supply the information needed by shareholders and banks. Management accountants prepare the information on which business decisions can be made. They help to prepare budgets and cash flow forecasts, although competent businesspeople are capable of doing this too. A budget is essentially a financial of the income and outgoings over time. Accountants also calculate things like costs and return on investment, and work out when, if ever, a project is likely to break even and so on.

JP: So it is extremely varied then. What drew you to it as a profession?

DR: I have always loved figures and playing around with numbers. This is combined with the indescribable joy of making things balance and achieving order. And as an immigrant to this country it allowed me to acquire the language of business. And when money talks nobody cares about its accent!

LIVEWORKSHEETS

1. Read part B of the interview and decide if the statements are true (T) or false (F).

1. Balance sheets are normally produced each month. _____

2. Double-entry bookkeeping is more or less the same everywhere. _____

3. Europe is close to harmonizing its accounting rules. _____

4. Auditors should check that the accounts have been presented properly. _____

5. Arthur Andersen caused the collapse of Enron. _____

6. There are many different branches of accountancy. _____

7. Only accountants are allowed to make budgets and forecasts. _____

8. Mr Rahman loves everything to be right. _____

2. Answer the following questions.

1. **_____What was a major breakthrough in accountancy?**
   a) The introduction of Roman numerals
   b) The use of abacuses for arithmetic
   c) The introduction of Hindu-Arabic numerals

2. **_____Who is regarded as the father of accountancy?**
   a) Fibonacci
   b) Luca Pacioli
   c) Arthur Andersen

3. **_____What does a balance sheet summarize?**
   a) The assets and liabilities of a firm
   b) The cash flow forecast of a company
   c) The income and expenditures of an individual

4. **_____What is the role of financial accountants?**
   a) To help businesses make decisions on investments
   b) To supply information needed by shareholders and banks
   c) To verify the fairness of financial health through audits

5. **_____What is the purpose of an audit in accountancy?**
   a) To calculate costs and returns on investments
   b) To verify that the accounts provide a fair and honest picture of the financial health of a company
   c) To prepare business budgets and financial plans

LIVEWORKSHEETS

3. Match the definitions to words from the text by solving the anagrams.

1. The book where business transactions are recorded: _____ELGDRE
2. The process of recording business transactions: _____OBOKEKEINPG
3. Something you can use instead of money: _____OTEKN
4. An early calculating machine: _____AABCSU
5. The capital, premises, and things that belong to a company: _____EATSSS
6. A financial plan that describes how and when to spend money: _____BGDUET

4. Match the collocations with their definitions.

Collocation	Description
1. Kept records	a) A major and significant development or discovery
2. Tax purposes	b) The reason for tracking financial data related to taxes
3. Big breakthrough	c) Documents or logs that track information
4. Gradual revolution	d) A period for financial reporting, typically 12 months
5. Balance sheets	e) A summary of a company's financial status
6. Financial year	f) The condition of a company's finances
7. Financial health	g) A plan that outlines financial goals and strategies
8. False accounting	h) The terminology and vocabulary used in financial contexts
9. Cash flow forecasts	i) A slow but significant change over time
10. Financial plan	j) Predictions about the expected flow of cash in and out of a business
11. Cash flow forecast	k) A projection of future cash inflows and outflows
12. Financial language	l) Dishonest or incorrect financial reporting

LIVEWORKSHEETS

5. Fill in the gaps with the appropriate word from the text.

1. By the Roman Empire, accounting had become quite _____ and was used for tax purposes.
2. Roman numerals were OK for addition and subtraction, but unsuitable for anything more _____.
3. The introduction of Hindu-Arabic_____ we use today was a big breakthrough.
4. Generally accepted accounting _____ may vary between countries.
5. There is pressure within Europe to _____accountancy rules.
6. Financial accountants supply the _____ needed by shareholders and banks.
7. Management accountants prepare information on which business _____ can be made.
8. A budget is essentially a _____ plan, and a cash flow forecast is a prediction of the income and outgoings over time.
9. Accountants calculate costs and _____ on investment.
10. I have always loved figures and the indescribable joy of making things _____ and achieving order.

6. Listen to the summary and fill in the gaps with the correct word.

The text outlines the evolution of 1_____, starting with early record-keeping in ancient Mesopotamia and 2_____with the introduction of Hindu-Arabic numerals and double-entry 3_____ in Italy. The development of balance sheets followed, summarizing a company's 4_____status. While accountancy practices are largely 5_____, differences 6_____ across countries. Auditing has become more 7_____, and scandals like Enron highlighted the dangers of 8_____ accounting. Accountants now play 9_____roles, helping businesses with financial planning, budgeting, and 10_____.

LIVEWORKSHEETS