**Review units 5, 6, 7**

**Activity 1:** match these parts of sentences.

1. Companies’ managers, investors, creditors and the tax authorities all
2. There are different ways of doing accounting but companies have to be consistent
3. The current replacement cost is the method used
4. Companies have to disclose or make known
5. The historical cost principle means that assets are valuated
	1. By using their original purchase price, not their current value.
	2. Need to know about the size of profits or losses.
	3. Which accounting method they are using.
	4. Which means regularly using the same method.
	5. By companies to consider inflation.

**Activity 2:** match each word with its correct definition.

Credit – debit – creditors – debtors – ledger – stocks

* An amount entered on the left hand side of an account, recording money paid out.
* A book of accounts.
* Customers who owe money for goods or services not yet paid for.
* An amount entered on the right hand side of an account, recording money received.
* Goods stored ready for sale.
* Suppliers who are owed money for purchases not yet paid for.

**Activity 3:** all these statements are wrong, correct them.

Current replacement cost is the cost companies incur to sell the asset on the reporting date.

…………………………………………………………………………………….

The accounting profession is regulated by the state.

…………………………………………………………………………………….

The historical cost principle is used in countries with regular high inflation.

…………………………………………………………………………………….

A company is related to its owners.

…………………………………………………………………………………….

Transactions can be recorded in many currencies.

…………………………………………………………………………………….

The revenue is recorded when paying goods or services.

…………………………………………………………………………………….

Recording accounts can not be based on opinions.

…………………………………………………………………………………….

**Activity 4:** complete these sentences with the appropriate word.

* …………………. shows where money comes from and where it goes. It is always transferred from one …………………. to another one. Every event is entered twice, once as a credit and once as ………………….
* Most businesses record very frequent transactions in …………………. or in ………………….

**Activity 5:** complete these sentences using « credit » or « debit ».

* If you buy new assets, you ……………………… the cash account.
* If you pay some bills, you ………………… the liabilities account.
* If you buy materials from suppliers on 60 days’ credit, you …………………… the purchases account and ……………………. the suppliers account.
* If you sell something to a customer who will pay 30 days later, you ………………… the sales account and ……………………. the customers’ account.

**Activity 6:** reorder these sentences.

* about/follow./every/There/should/nine/principles/are/accountant
* use/the/price./With/purchase/we/historical/original/principle/purchase/the
* can/market/cost./Every/which/an/its/asset/have/from/different/estimate/is/value
* make/assets./personal/Accountant/when/can/some/estimating/opinions