**Unit 11: The Balance sheet I**

« Life is what happens to us while we are making other plans.”   
 Allen Saunders, American writer, 1899-1986

All companies have to publish an annual balance sheet, which is a statement for shareholders and creditors. It is a document with two halves; the totals of the both are the same, so they balance. One-half shows the business's assets, which are things owned by the company, such as factories, machines, and that will bring future economic benefits. The other half shows company's liabilities and its capital or shareholders’ equity. Liabilities are obligations to pay other organizations or people money that the company owes or will owe at a future date. These often include loans, taxes that will soon have to be paid, future pension payments to employees and bills from suppliers (companies that provide raw materials). If the suppliers have given the company a period in order to pay its purchases, this is called **granting credit**. Assets are shown as debits in the balance sheet (because the capital was debited to purchase them), the total of these assets must equal to the sum of credits, which include liabilities and capital.

American and Continental European companies usually put assets on the left, liabilities and capital on the right. In Britain, this was traditionally the other way round, but now most British companies use a vertical format, with assets at the top, liabilities and capital below.

**Shareholders' equity** consists of all the money belonging to shareholders. Part of this is share capital: the money company raised by selling its shares. The second part includes **retained earnings**, profits from previous years that company has not distributed them (paid out to shareholders as dividends). Shareholders’ equity are the same as **company's net assets**, or assets minus liabilities.

A balance sheet does not show how much money the company spent or received during a year. We find this information in another financial statement: **The profit and loss** **accounts** and the **cash flow statement**.

**Comprehension:**

1. Who needs to read the annual balance sheet?
2. What does this document show on each half?
3. Who gives usually the granting credit?
4. What are the retained earnings?
5. How we can calculate the shareholders’ equity?
6. Does the balance sheet show the profits made by company?
7. Are the following statements true or false :
8. British and American balance sheet show the same information, but arranged differently.
9. The balance sheet does not show the company’s profit made in the previous years.
10. The two sides of a balance sheet have always the same total.
11. The balance sheet tells how much the company owes.

**Vocabulary:**

Exercise 1: Complete these sentences with the appropriate word.

1. ………………………. are companies that provide other companies with raw materials.
2. ………………………... are profits that company has not distributed to shareholders.
3. ………………………... are things that company owns and uses in its business.
4. ………………………... consists of everything the company owes.
5. ……………………….. consists of money belonging to company's owners.

Exercise 2: make word combinations using a word from each side.

Distribute Liabilities

Grant money

Owe Profits

Pay earnings

Retain credit

**Grammar :** ***The simple past tense***

We always use the past simple when details about place and time are specified or asked for. We use the present perfect when time is not important or not specified.

|  |  |
| --- | --- |
| Present perfect | Past simple |
| I have lived in London | I lived in London in 1980. |
| Have you seen John ? | Where did you see John? |
| We have been to Ireland. | When did you go to Ireland? |