**Unit 1 : Partnership and limited liability**

Partnership is a business arrangement in which several people work together and share the risks and profits. The partners are fully liable for any debts the business has. Furthermore, in case of legal action, it's the individual partners who will be taken to court. A sole trader business is an enterprise owned and operated by a single person and has also a limited liability.

The company is a legal entity that has a separate legal existence from its owners. It can enter into contract, and can be sued or taken to court if it breaks a contract. In theory, a company can continue forever, even if all the staff and owners change.

Most companies have limited liability which means the owners are not fully responsible for business debts. Their liabilities are limited to the value of their share capital. This limitation of liability encourages people to invest their capital in the company as they incur no risk. This kind of companies is known as limited companies.

Shareholders do not manage their company; this mission is entrusted to managers and executives directors. The way a company is run and how managers are accountable to shareholders is called: **corporate governance**. The company is controlled by a **board of directors** which does not work full time. Its members offer their advice, review decisions taken by managers and inspect the efficiency of the results achieved by them.

Shareholders can meet directors in the **AGM** (**Annual general meeting**), they question them about the content of the annual report, vote to accept or reject the dividend recommended by the directors and vote on replacements of retiring member of the board. The meeting can also carry out any other business stated in the memorandum of association. If there's a crisis, directors and shareholders can request to hold an **extraordinary general meeting** (**EGM**) to discuss the situation.

Meaning and explanation of vocabulary : some words are given in French and in Arabic.

Partnership = Personne Physique الشخص الطبيعي

Several = many

Liable = responsible

Taken to court = conduit en justice

Sole Trader = EURL شركة الشخص الوحيد ذات مسؤولية محدودة

Limited liability = responsabilité limitée مسؤولية محدودة

Shareholders = owners of the company = les actionnaires

Entrusted = given to = confiée à…

Accountable = redevables = مسؤول اتجاه طرف معين

corporate governance = la gouvernance des entreprises = حوكمة الشركات

board of directors = conseil d’administration = مجلس الادارة

advice = conseil

efficiency = efficacité = كفاءة

achieved = attained = réalisés

AGM = L’assemblée générale ordinaire الجمعية العامة العادية

EGM = L’assemblée générale extraordinaire الجمعية العامة الاستثنائية

carry out = discuss = study

stated = mentionned = stipulé

memorandum of association = statut de l’entreprise

request = demand

**Comprehension** : Say if these statements are true or false. Correct the wrong ones.

* In case of legal conflicts, people can sue shareholders.
* False, people can sue the company, unless the company is a partnership.
* The owners of a Partnership have to pay all company's debts.
* True, they are fully liable.
* Managers are the owners of company they work in.
* False, but in some cases, managers can also be shareholders.
* External directors are allowed to control the management of the company.
* True, they are the members of board of direction.
* Executive directors are members of the board of direction.
* False, executive directors are the managers of the company.
* Shareholders vote for the amount of dividends in the EGM.
* False, they vote for it in the AGM.

**Vocabulary** :

Exercise 1 : make word combination using words from A and B, then make the correct combinations to definitions below.

A : Corporate – Audit – Limited – Non executive – Share

B : Committee – Directors – Governance – Capital – Liability

Non-executive directors: a group of directors to whom external auditors present their report.

Share capital: money owned by investors in a company.

Corporate governance: the way shareholders control management of the company.

Audit committee: group of accountants in charge of inspecting company's accounts.

Limited liability: shareholders are not responsible for the company's debts.

Exercise 2: find in the text synonyms of these words:

Deal = arrangement.

Completely = Fully.

In addition = Furthermore

**Grammar**: *Pronouns: this/that, these/those*

Here are cases where we use these pronouns

|  |  |
| --- | --- |
| Cases | Examples |
| We use this (singular) and these (plural) to talk about people or things near us. | **This** is a nice cup of tea.  Whose shoes are **these**? |
| To introduce people. | **This** is Janet.  **These** are my friends : John and Michael  Note: we do not say ~~these are~~ John and Michael, we say **this** is John and **this** is Michael. |
| To introduce ourselves to begin a conversation on the phone. | Hello, **this** is David. Can I speak to Sally? |
| We use **that** (singular) and **those** (plural) to talk about things or people that are not near us. | What is **that**?  **This** is our house and **that's** Rebecca’s house over there. |
| We use that to refer back to something someone said or did. | Can we go to the cinema?   * Yes, **that is** a good idea.   I have a new job: That is great.  I am very tired: Why is **that**? |

**Activity :** Here you have a part of a job interview between an accountant and a Financial Director, choose the right answer :

* So, according to your CV, you worked before in General Electric for 5 years (in/on)
* Yes, that was from 2010 to 2015, I was in charge of the bookkeeping (were/is/was)
* And what section were you in charge of? (is/has/were)
* I was in charge of recording the purchase of raw material (am/was/were)
* And since 2015, you did not practice accounting? (do/did/does)
* No, I held several jobs related to different functions, I was salesman, I also worked as logistics supervisor (hold/held/am holding)
* Why did you leave General Electric? (left/leave/leaving)
* I just moved, my new house is very far from the company, I couldn’t keep commuting (are/is/were)
* Did you enjoy working there? (work/working)
* Yes, I enjoy so much. We managed me and my team to overcome a lot of challenges (many/much)

**Unit 2: Private and public company**

When people found a company, they prepare articles of association and a memorandum of association. The **articles of association** state :

* The rights and duties of the shareholders and directors.
* The relationship between shareholders and the company, and its directors.

The **memorandum of association** states:

* The company's name,
* The location of the company's registered office, where to send official documents.
* The authorized share capital, the maximum share capital it can has.

Private companies have «**ltd** » at the end of their name. Public limited companies have «**plc** » at the end of their name. In US law, companies or corporations are registered with Securities and Exchange Commission (SEC) and known as **listed companies**. SEC registered companies have to make quarterly reports (every three months). They report on :

* Sales revenue or **turnover** – the money received by the company in that period from selling goods and services.
* **Gross profits** – turnover less costs of sales.
* **Net profit** – gross profits less administrative expenses and taxes.

Companies on the London stock exchange, known as **quoted company** have to produce a half yearly report which informs the shareholders about the company's progress. These reports are not audited.

At the end of the year, all companies send their shareholders the financial annual report. It contains a review of the year’s activity and the explanation of its position and results. It also includes financial statements and notes.

**Meaning and explanation:**

Found = fonder = يؤسس

rights and duties = droits et devoirs.

Turnover = le chiffre d’affaires.

Gross profit = résultat global (avant impôts).

financial statements = les états financiers القوائم المالية

**Comprehension**:

1. What are the two main documents prepared by people to found a company?

Articles of association and memorandum of association.

1. What is the difference between «ltd » and « plc"?

Both companies are private, in the « ltd », the whole capital is owned by shareholders, while in the « plc », part of the capital is owned by public as shares. The public limited company is not owned by the state.

1. What is the meaning of listed companies?

Companies registred with Securities and Exchange Commission (SEC), whose shares are traded in the US Stock exchange.

1. Do companies have to produce a unique report?

Quoted companies, registred on the London Stock Exchange have to produce a half yearly report, those registred with SEC produce a report every 3 months.

**Vocabulary**: match the two parts of a sentence.

1. Only listed or quoted companies, e
2. American corporations publish details a
3. Companies’ financial statements and auditor's report, b
4. Quarterly and six monthly reports, c
5. Shareholders can ask company directors questions, f
6. Companies can hold an emergency general meeting, d
   1. about their sales and profits every three months
   2. are contained in the annual report.
   3. are not checked by external auditors.
   4. if there's a crisis.
   5. can have their shares traded on the stock exchange.
   6. at an annual meeting.

**Grammar**: *Present Simple*

How we write verbs in present simple.

|  |  |
| --- | --- |
| Cases | Examples |
| With : she, he, it : we add **s** | The memorandumofassociation **states** that:…… |
| In the negative form, we add the verb **do + not /does + not** | Shareholders **do not manage** their company. |
| In the interrogative form. | **Do** the directors **meet** next week? |
| Verbs ending in **y,** with third person, the **y** changes into **ies.** | To cry – he **cries** |
| If there's a vowel before **y**, we just add : **s.** | he **plays.**  she **enjoys.** |
| Verbs ending in : **ss – ch – sh – x**, we add **es.** | He **passes**, she **catches**, it **fixes**, it **pushes**. |

The present simple is not used to express actions happening now, we rather use present continuous. The present simple is used only in these cases :

|  |  |
| --- | --- |
| To express :   1. Habits, 2. General truths, 3. Unchanging situations, 4. Emotions and wishes. | 1. I smoke. 2. General motors is a big company. 3. I take the bus every day. 4. I wish I could find a job. |
| To give instructions and directions. | You walk for two miles then you turn left. |
| To express fixed arrangement present or future. | Your exam starts at 9.00. |
| To express future time after some conjunctions: after, before, until, when, as soon as. | We will give it to her once she arrives. |

Exercise 1: check the correct answer.

1. My father still buys the same newspaper every day. (Buys, bought, is buying)
2. The relative humidity usually falls when the temperature goes down. (Fells/falls/will fall).
3. My best friend lives in that apartment building over there. (Lives/is living/live).
4. What is the name of the picture, you are looking at on the wall ? (look, are looking, looks).
5. Are you going to meet them? (Are you going/do you go).
6. Do you believe everything he says? (Do you believe/are you believing).
7. I am so glad that you joined us. (will join/joined/join).
8. I will not leave until I talk to your boss. (talk/talks/will talk).
9. Later tonight, I will call him (call/am calling/will call).
10. Why is she always late? (is she/she is being/she is).
11. Your meeting starts at 11.00 (starts/will start/start).
12. You go through in-house then you turn right. (turns/will turn/turn).

**Unit 3: Company’s Terminology**

Match the following items related to company with their appropriate definitions.

|  |  |
| --- | --- |
| Company act 2 | 1- The title by which an incorporated firm is known as a legal entity or artificial-person. |
| Company creed 3 | 2- A law voted by Parliament which regulates the working of companies, stating the legal limits within which companies may do their business. |
| Company law 6 | 3- A statement made by the company which shows how to conduct its business and dealing with its various stakeholders. |
| Captive finance company 11 | 4- Firm over which another firm exercises a degree of control which is less than the degree of control exercised over a subsidiary. In accounting, such control requires the ownership of at least 20 percent of voting shares. |
| Company policy 8 | 5- Incorporated firm with share capital. |
| Company name 1 | 6- Legislation under which the incorporation, registration, governance, and dissolution of a firm is administered and controlled. |
| Brass plate company 9 | 7- Incorporated firm without share capital, and in which the liability of its members is limited to the amount each one of them undertakes to contribute at the time the firm is wound up. |
| Company limited by guarantee 7 | 8- A written document that shows to employees how the company is organized. |
| Company limited by share 5 | 9- A legal firm without any 'real' existence especially in tax heavens. |
| Limited company 12 | 10- A company that offers limited liability, or legal protection for its shareholders but that places certain restrictions on its ownership in order to prevent any hostile takeover attempt. These restrictions are: shareholders cannot sell their shares without offering them first to other shareholders for purchase, shareholders cannot offer their shares to the general public over a stock exchange, and the number of shareholders cannot exceed a fixed figure (commonly 50). |
| Private limited company 10 | 11 - Wholly owned subsidiary that finances activities of the parent firm. For example, firms such Ford, General Electric have their own finance companies. |
| Associate company 4 | 12- Incorporated limited liability firm whose share capital is restricted by its memorandum of association. |

**Vocabulary**

Regulate = réguler = ضبط

Creed = crédo = شعار

Conduct = conduire

Stakeholders = parties prenantes المتعاملين مع المؤسسة

Various = several = many

Incorporation = the process of constituting a company as a legal corporation = procédures de création de l’entreprise = تاسيس

Dissolution = dissolution = الشركة حل

Wholly = completely

Subsidiary = a company controlled by a holding = filiale = فرع

Parent firm = maison mère.

Policy = politique = سياسة

artificial-person = personne morale =معنوي شخص

undertake = promise to do a particular thing or guarantee something = assumer = يتحمل

contribute = provide = contribuer = يساهم

wound up = liquidate = liquider

restricted = limited

prevent = interdict, forbid

hostile takeover attempt = tentative de prise de contrôle hostile

exceed = surpass = overtake = dépasser

require = need = exiger

At least = not less than, at the minimum = au moins

**Grammar**: *The possesive form*

Possessive nouns are used to show ownership or belonging to. Ownership is the act of owning or having something.

|  |  |
| --- | --- |
| Cases | Examples |
| If the noun is singular, we add **s.** | The car of this man = This man’s car. |
| If the noun is singular but ends in s, we add either **s** or just ‘, and it sounds **z.** | The book of Charles = Charles's book, Charles’ book.  The company of the boss = the boss's company. |
| If the noun is plural, we use ‘. | The room of the girls = girls’ room. |
| If two people own something, we add **s** to the second person only. | The house of John and George = John and George's house. |
| If two people own separate things, we add **s** for each person. | The office of the director and the office of the assistant = Director’s and assistant’s offices. |
| If a plural noun does not end in s, we add **s.** | The work of these women = these women's work. |
| To refer to shops, restaurants….. | I'm going to the Mcdonald’s. |

**Unit 4 : Talking in a Meeting or in a negotiation**

The two pictures below show people holding a meeting, what is the difference between them?

In the first picture, people are all talking at the same time while in the second, they speak in turn. They are also sitting. It is very difficult to behave correctly in meeting but in order to get the best deal; one should learn how to control oneself. It is important to listen carefully; a bad listener is a bad negotiator. Listening allows finding the position and the aims of the other side and significantly their probable concessions. If the object of the meeting is to state the progress or the situation of any issue, it is important to have an agenda and to discuss its points within a planned manner.

**Grammar** : *Pronouns*

A pronoun usually refers to something already mentioned in the text in order to avoid repetition. Here are all kinds of pronouns :

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Subject | I | You | He | She | It | We | They |
| Object | Me | You | Him | Her | It | Us | Them |
| Possesive adjective (determiner) | My | Your | His | Her | Its | Our | Their |
| Possesive pronouns | mine | Yours | His | Hers | Its | Ours | Theirs |
| Reflexive and intensive pronouns | myself | Yourself  Yourselves | Himself | Herself | Itself | Ourself  Ourselves | Themselves |

Notes :

* **You** is used both for singular person or more than two (male or female).
* **It** and **they** are also used for male or female.
* **We :** can be used either as I in formal speaking and writing.

There's often confusion over which pronoun you should use when you're one half of a dual subject or object.

* Should you say : « me and him had a fight  » or «  he and I had a fight » ?

If we write the sentence with one pronoun we will say : «  I had a fight », not «me had a fight ». Same thing goes to the object. We said «the police arrested me and him», not «  the police arrested I and he »

Reflexive and intensive pronouns : Reflexive pronouns refer back to the subject because the subject of the action is also the direct or indirect object. Only certain types of verbs can be reflexive. You cannot remove reflexive pronoun from a sentence because the remaining sentence will be grammatically incorrect. I told **myself** to calm down.

Intensive pronouns emphasize the subject of a clause. They are not the object of the action. They can be removed without changing the meaning of the sentence. Intensive pronouns can be placed immediately after the subject or at the end of the sentence. I made these cookies **myself**.

Exercise: here are parts of conversation, check the right pronoun.

* So did you give the book to him (his/he/him) ?
* Of course I did, I gave it back on Tuesday (it/them/its).
* Well, he says that he doesn't trust you (them/you/yours)
* He doesn't trust me (I/me/mine) ?!!!
* That's exactly what he said about you (it/you/yours)
* I can't believe that, do you trust me (me/my/mine)?
* Well, you and your wife have borrowed things sometimes and not given them back (them/their/they)?
* I think you are very unfair to us (us/we/ours) ?
* In that case, look at the table and tell me what you see ? (I/me/my)
* Oh sorry, his (you, your, his) book is still here, I thought I have given back to him (them, him, you).

**Unit 6 : Money and income**

The money used in a country is its currency. Money in notes and coins is called Cash. Most money, however, consists of bank deposits, money that people and companies have in their accounts. As payments and transactions are done by means like check or credit cards, there is only about 4 per cent of money existing in the form of cash in European Union. In other countries like Tunisia, this percentage does not exceed 12 per cent. In Algeria, however, it is about 25 per cent.

Income is all the money a person receives or earns and it can include:

* **A salary**: money paid monthly by an employer, if it's paid by the day or by the hours, it's called “**wages”** and usually received weekly.
* **Overtime**, money received for working extra hours.
* **Commission**: money paid to salespeople or agents and it corresponds to a certain percentage of personal incomes.
* **A bonus**: extra money given for meeting a target or for good financial results.
* **Fees**: money paid to professional people such as lawyers or architects.
* **Social security:** money paid by government to unemployed or sick people.
* **Pension**: money paid by a company or the government to retired people.

Salaries and wages are often paid after some deductions such as social security charges and pensions contributions. Amount of money that people have to spend regularly are called outgoings. These often include :

* **Living expenses:** money spent on everyday needs such as foods, clothes and public transport.
* **Bills**: requests for the payment of money owed for services such as electricity, gas and telephone connections.
* **Rent**: the money paid for the use of a house or a flat.
* **A mortgage:** repayment of money borrowed from the bank to pay a house or a flat.
* **Health insurance:** financial protection against medical expenses for sickness or accidental injuries.
* **Taxes**: money paid to finance government spending.

**Meaning and explanation:**

Currency = العملة

notes and coins = billets et espèces.

bank deposits = money placed into banking institutions for safekeeping = dépôts bancaires.

means = ways = moyens.

Income = revenue = المداخيل

Earn = obtain money = gagner de l’argent.

Salespeople = agents de vente.

Target = aim, purpose, goal = une cible.

Fees = honoraires = اتعاب

Retired = retraités = المتقاعدون

Deductions = déductions = اقتطاعات

Contributions = contributions = المساهمات

Regularly = at uniform intervals of time = régulièrement.

Outgoings = outlay = expenditure = spending = les dépenses.

Bills = les factures.

Rent = la rente = الريع

Injuries = damages = les blessures.

**Comprehension** :

* What is the difference between salary and wage?

The salary is received monthly; wage is paid by day or by hour and received weekly.

* When can someone expect to earn overtime?

If he works extra hours, which are hours outside the regular hours.

* What is the difference between social security charges and health insurance?
* Social security is obligatory contribution, a systematic deduction from salary, while health insurance is voluntary; the latter exists in the USA. The employee contracts with an insurance company, he negotiates how much he can contribute per year and what services the company gives him back.

**Vocabulary**:

Exercise 1: Fill in the gaps with the appropriate words: Commission - earn- currency -salary- bonus- pension – taxes – overtime - rent – social security.

* After I lost my job, I was living on social security for three months. It was very difficult because the amount was much lower than the salary I had before.
* I used to work as a salesman but I wasn't very successful, so I didn't earn much commission.
* If the company makes 10 % more than last year, we all get a bonus at the end of the year.
* Many European countries now have the same currency, the euro.
* My wages are not very good so I do a lot of overtime.
* Nearly 40 % of everything I earn go to the government as taxes.
* The owner has just increased the rent on our flat by 15 %.
* When I retire, my pension will be 60 % of my final salary.

**Grammar:** *Relative/Indefinite pronouns.*

***Relative pronouns*** relate group of words to nouns or other pronouns.

**That** and **which** can only refer to things

**Who** and **whom** can only refer to people.

Who is used as a subject of the sentence, whom is always the object of a verb or a prepositional phrase. Let’s see these examples:

*I like the song* ***that*** *you wrote.*

That is used with defining (essential or restrictive) clause. It is a part of a sentence very essential to understand the meaning, you can not remove it.

*It is the large window,* ***which*** *makes the room very enlightened.*

Which is always preceded by a comma. It is used with non-defining clause (nonrestrictive or nonessential).

*The room has a large window.* ***That*** *makes it very enlightened.*

In this sentence, that can be replaced by “what” or “it”. That is not a relative pronoun.

*I like* ***that*** *restaurant* ***which*** *is located downtown.*

In this sentence, that is not a relative pronoun. We use which as an exception here because we used before that.

*The man* ***who*** *entered gave me the boxes.*

Who is the subject of the verb “entered” (man)

*Remember the city* ***where*** *we lived before*.

When the subject is a place, we use where instead of that or who.

*The managers with* ***whom*** *I spoke told me that the company achieved bad results this year.*

Whom is the object of the verb “spoke” (managers)

***Indefinite pronouns*** function as nouns but they do not replace it. They are **everybody** and **some**.

*Everybody* admires his speech.

Any word with every (everyone, everything….) is singular, not plural. Therefore, it needs singular pronouns, not plural.

Everybody needs to be on time in **his** office (it's not correct to use their instead of his).

**Unit 7 : Accounting and accountancy**

Accounting involves recording and summarizing an organization's transactions or business deals such as purchases or sales and reporting them in the form of financial statements. In many countries, accounting and accountancy profession has a professional organization, which operates its own training and examination system. It also makes technical and ethical rules. These relate to accepted ways of doing things. Bookkeeping is the day to day recording of transactions.

Financial accounting includes bookkeeping and preparing financial statements for shareholders and creditors (people and organizations who have lent money to the company).

Management accounting involves the use of accounting data by managers, for making plans and decision.

Auditing means examining a company's system of control and the accuracy of its records looking for errors or possible fraud, where the company may has deliberately given false information.

* An internal audit is carried out by a company's own accountants or internal auditors.
* An external audit is done by independent auditors who are not employees of the company.

The external audit examines the truth and the fairness of financial statements. It tries to prevent what is called creative accounting, which means recording transactions and values in a way that produces a false result, usually an artificially high profit.

**Meaning and explanation :**

Involve = include, require, imply = implique.

Recording = stating in writting someting officialy = l’enregistrement comptable = تسجيل القيود

Summarizing = giving a brief statement of the main points = la récapitulation = تلخيص

Purchase = a buy = acquisition = les achats.

Accounting = la comptabilité = المحاسبة

accountancy profession = la profession comptable = مهنة المحاسبة

training =  teaching, developing skills and knowledge, improving one's productivity and performance = La formation = التكوين

ethical rules = rules of behavior based on ideas about what is morally good or bad, what is morally right or wrong = les règles éthiques = اخلاقيات المهنة

relate = report = rapporter.

Bookkeeping = la tenue du livre de compte = التسجيل في اليومية

To lent = to grant = prêter.

Accuracy = correctness, exactness, validity, precision, rightness = exactitude.

Deliberately = intentionaly, purposely, knowingly = délibérément = عن قصد

To carry out = conduct, implement, execute, perform = mener.

Fairness = impartial and just treatment without favouritism or discrimination = impartialité = الحياد

Prevent = to keep something from happening = prévenir

Creative accounting = the exploitation of ambiguity or gaps in financial regulation in order to gain advantage or present figures in a misleadingly favourable light = La comptabilité créative = المحاسبة الابداعية

Assets = actifs = الأصول

Assumptions = les hypothèses

Divided = divisé.

Convert = change into another form = convertir.

consolidated financial statement = Etat financier consolidé = القوائم المالية الموحدة

conservatism = Le conservatisme = التحفظ او الحيطة و الحذر

over-estimate = surestimer.

Facts = Les faits = الوقائع

Recognise = reconnaitre.

depreciation and amortization = l’amortissement.

Objectivity = objectivité = الموضوعية

Subjective = subjective = الذاتية

Related = relié à

**Comprehension:**

1. Do you think the accountancy profession independent?

Yes, it is. It is regulated by a professional organization.

1. What is the role of professional accountancy organization?

Itfixes how to do training, the examination systems, and makes technical and ethical rules.

1. What is the difference between internal and external audit?

The internal audit is done by auditors who work into company, while external one is done by independent auditors.

**Vocabulary:** when recording transactions, accountants have to follow a set of principles. As you are students in accounting, you have probably studied these assumptions, read definitions below and match each one to its meaning.

1. Materiality.
2. Objectivity.
3. Separate entity.
4. Unit of measure.
5. Full-disclosure.
6. Time period.
7. Conservatism.
8. Matching principle.
9. The revenue recognition.

**A**. A business is an accounting unit separated from its owner, creditors, managers and their assets. These people can all change but the business continues as before. 3

**B.** The economic life of a business can be divided into artificial periods such as a financial year or a quarter of it. 6

**C**. All financial transactions are in a single currency. Companies with subsidiaries in different countries have to convert their results into one currency in a consolidated financial statement for the whole group of companies. 4

**D.** Financial reporting should include all significant information, anything that makes a difference to the users of financial statements. 5

**E.** Very small and unimportant amounts do not need to be shown. 1

**F.** If there are different accounting methods, you choose the one that is least likely to overstate or over-estimate assets or income. 7

**G.** Accounts should be based on facts, not on personal opinions or feelings. Accounts should be verifiable. Internal or external auditor should be able to recognize that they are true. This isn't always possible, depreciation and amortization or provisions for bad debts, for example, are necessarily subjective, based on opinions. 2

**H.** The revenue is recognized in the accounting period in which it is earned. The revenue is recorded when a service is provided or when good is delivered, not when they are paid for. 9

**I.** Each cost or expense related to revenue earned must be recorded in the same accounting period as the revenue it helped to earn. 8

**Grammar**: *Reflexive pronouns*

Here are four cases where we should use reflexive pronouns.

1. We use a reflexive pronoun with **transitive verbs**, as a **direct object** when the **object** is the same **subject** of the verb:

* Be careful with that knife, you might **cut** **yourself.**

The transitive verbs are verbs that require an object to receive the action. The most common transitive verbs, which are often followed by a reflexive pronoun, are: enjoy, dry, amuse, blame, hurt, introduce, prepare, satisfy…. We do not use reflexive pronouns after verbs that describe things people do obviously for themselves: dress, shave.

* He always **shaves** ~~himself~~ before going to work.

We only use Reflexive with these verbs to emphasize:

* She **dressed herself** in spite of her injuries.

2. We use Reflexive pronouns as an **indirect object** when the **object** is the same as the **subject**.

* We have brought **ourselves** something to eat.

“something to eat” is the direct object of the verb bring.

3. As an object of a preposition when the object refers to the subject of the clause.

- He was feeling very sorry for **himself.**

4. With the preposition by if we want to show that someone did something alone.

- He walked home by **himself.**

- She lived by **herself** in an enormous house.

**Note:** we don't use Reflexive pronouns after a preposition of place:

* He had a big opportunity beside **him**.

After with when it means accompanied by:

* I have few friends with **me**.

**Exercise**: fill in the gaps with the appropriate word.

* Every transactions made by the company must be recorded. There must be a document to show that it's true.
* Multinational with its subsidiaries, combines all their results in a set of consolidated financial statement.
* Both internal and external auditors have to examine company's accounts.
* Despite the objectivity principle, accountants have to make some subjective judgment.

**Unit 8: Accounting policies and standards**

Companies can choose their accounting policies – ways of doing accounts – in order to know how much the company is worth, and to calculate their profits. In the USA, there are **Generally Accepted Accounting Principles** (**GAAP**). In most of the rest of the world, there are **International Financial Reporting Standards (IFRS)** set by the international financial standards board. These are technical rules and conventions – accepted ways of doing things that are not written down by the law.

Companies can choose among different accounting policies but they have to be consistent, which means using the same method every year, unless there is a good reason to change policy. This is known as the **consistency principle**. The policies have also to be revealed to the shareholders, the annual report should contain a statement of accounting policies that mentions any changes have been made. Therefore, shareholders could compare the profits with those made the previous year.

Sections in which the choice of the policy can make a big difference are: depreciation, the valuation of stocks or inventory, the provisions for future pension’s payments and the value of assets. Actually, in many countries, accounting follows **the historical cost principle** – assets are recorded according to their original purchase price and not their estimated or **current selling prices**. However, some countries with regular high inflation use **replacement cost accounting**, which value all assets at their **current replacement costs** – the amount that would have to be paid to replace them now. Anyway, no matter what policy the company chooses for their accounts, they should give a true and fair view of the financial situation.

**Meaning and explanation :**

accounting policies = les politiques comptables.

the company is worth = combien vaut la compagnie, valoir = قيمة المؤسسة

set = put, fixed = établis ou faites.

conventions = conventions = اتفاقيات

written down = écrites dans la loi

among = parmi.

unless = à moins que.

To reveal = to show, to display = révéler.

the historical cost principle = le principe du coût historique = مبدا التكلفة التاريخية

original purchase price = le prix d’acquisition = سعر الشراء الاولي

current selling prices = le prix de vente courant = القيمة السوقية، سعر البيع الجاري

fair view = une vue juste.

**Comprehension**:

1. What are the accounting policies?

They are accepted ways showing how to practice accounting.

1. Who made the IFRS ?

They are made by the international financial standards board.

1. Are companies allowed to choose their accounting policy?

Yes, they are.

1. What is the consistency principle?

It is the fact that companies choose their accounting policy but they have to use the same method each year.

1. How can the choice of policy make a difference in calculating profits?

When choosing how to record depreciation, how to value stocks or estimate provision, companies can find a way to earn more than usual.

1. What is the difference between historical cost principle and replacement costs accounting?

With the historical cost principle, assets are recorded according to their original purchase price. With the replacement costs accounting, inflation must be considered, assets are valued at their current replacement costs, which is the amount that would have to be paid to replace them now.

**Vocabulary**:

Exercise 1: match the two parts of sentences:

1. Companies’ managers, investors, creditors and the tax authorities all b
2. There are different ways of doing accounting but companies have to be consistent, d
3. Companies have to disclose or make known c
4. The historical cost principle is that, the price paid to buy assets a
   1. and not their current value, is recorded in the accounts.
   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 methods.

Exercise 2: Complete this table.

|  |  |  |
| --- | --- | --- |
| Verb | Noun | Adjective |
| To calculate. | Calculation. | Calculated. |
|  | Consistancy. | Consistent. |
|  | Convention. | Conventional. |
| To measure. | Measurement. | Measured. |
| To present. | Presentation. | Presented. |
| To value. | Valuation. | Valuable. |

Exercise 3: find in the text synonyms of these words : system, agreement.

Policy, Convention.

**Grammar :** *The present continuous / the present progressive*

1. *Present continuous form is composed of two parts :*

The **present simple** of the verb to **be** + **the present participle** of the verb

I **am talking**, she **is walking**, we **are playing**…..

Negative form : you are not waiting for him.

Interrogative form : is he going ?

1. *Present continuous function:*

As with all tenses in English, the speaker’s attitude is as important as the time of action or events. When we use the present continuous, the action is unfinished or uncompleted.

Here are cases where we use present continuous.

|  |  |
| --- | --- |
| Cases | Examples |
| To describe an action that is going on at this moment. | You are studying English grammar. |
| To describe an action that is going on during this period of time or a trend. | I am still working for the same company. |
| To describe an action or an event in the future that has already been planned. | We are visiting the museum tomorrow. |
| With always, forever, constantly, to describe and emphasize a continuing series of repeated actions. | They are always arguing. |

1. Verbs that are not used in the present continuous: all verbs that refer to states, rather than actions or processes.

|  |  |
| --- | --- |
| Sense/ perception. | Smell, feel, hear, see, taste. |
| Opinion. | Think, assume, believe, consider, doubt, find, suppose. |
| Mental states. | Forget, imagine, know, mean, notice, recognize, understand, remember. |
| Emotions / desire. | Envy, fear, dislike, hate, hope, like, love, mind, prefer, want, wish. |
| Measurement. | Contain, cost, hold, measure. |
| Others. | See (when it means plan).  I am seeing John tonight (it's planned to see him).  Have (when it doesn't mean possess).  She's having supper (she's eating). |