

## Internet research

Search for the keywords *financial statements* *beginners' guide* to find further information about the main financial statements. Which site presents the statements most clearly? Compare your findings and vote for the best site.

### 5 Match the accounting categories 1–6 with the examples a–f.

- 1 depreciation
- 2 plant and machinery
- 3 raw materials
- 4 accounts payable
- 5 payroll
- 6 extraordinary income

- a) Cherubs Pre-school Nursery employs five carers who get paid weekly.
- b) Focal Photography Shop owes €3,000 to its suppliers.
- c) Speedier Deliveries owns six vans. Last year, the resale value of each van fell by 20%.
- d) Jonson Manufacturing has just raised €1.6 million from the sale of part of its site.
- e) Stronglite Engineering has a small factory with a range of heavy-duty metalworking tools.
- f) KJK Products spent €10,000 on plastic pellets for manufacturing.

### 6 Answer the following questions about the categories in Exercise 5.

- 1 Where on the cash flow statement would you put **raw materials** and **payroll**?
- 2 Where on the profit and loss account would you put **depreciation** and **extraordinary income**?
- 3 Where on the balance sheet would you put **plant and machinery** and **accounts payable**?

## Enabling and preventing

7 Read the articles by three business owners who describe how financial documents have helped improve their business. Complete them with the correct form of the verbs in the boxes.



discourage encourage let make

**SALLY SANTANA** I run a clothing business in Barcelona called Tangerine. The balance sheet is an invaluable document for me. Because it's a snapshot, I find it (1) \_\_\_\_\_ me to really think about whether my business is in the best shape. The profit and loss account is helpful, but the balance sheet (2) \_\_\_\_\_ me see what I actually owe in the short and long term. It has also (3) \_\_\_\_\_ me from developing bad habits: for instance, it has (4) \_\_\_\_\_ me pay my creditors sooner rather than later, so that the balance sheet looks better and improves our position with the bank.



allow force help prevent

**JAIME TRIET** When we started up, I used a cash flow forecast as part of our application to the bank and it (5) \_\_\_\_\_ us get a start-up loan. Our bakery business, Kernel, has gone from strength to strength since then, but keeping an eye on cash flow has always been important to (6) \_\_\_\_\_ cash imbalances. If we got this wrong, it might even (7) \_\_\_\_\_ us to go out of business. I used to use a spreadsheet, but I've invested in some accounting software now which (8) \_\_\_\_\_ me to present the information in the form I need.



compel enable permit prohibit

**DANA SOARES** I set up DS Engineering ten years ago, with the help of investment from a group of business angels. Obviously, they demand detailed reporting on our finances. And, whilst their rules of investment don't (9) \_\_\_\_\_ certain practices in the way some accounting regulations do, they're understandably quite strict: they certainly wouldn't (10) \_\_\_\_\_ us to take any unnecessary risks. The profit and loss account (11) \_\_\_\_\_ the investors to see that we are making a profit and (12) \_\_\_\_\_ us to make better decisions on what to do next.

8 Work with a partner. Use the verbs in Exercise 7 to write short explanations of what the following business documents are used to enable, help, prevent, etc.

- health and safety guidelines
- a business plan
- an annual report
- a meeting agenda