

**KEY**

7 April 2011

**A) FINANCIAL ANALYSES AND STATEMENTS***Complete the blanks using the appropriate English expression:*

By providing and storing **RELIABLE** data and arranging them in various **STATEMENTS**, tables, and aggregates (e.g. consolidated statements), financial accounting makes it possible to **COMPILE ANALYSES** which give an **ACCURATE** picture of the current and **ANTICIPATED** financial positions of the firm. From this **VIEWPOINT**, the following aspects of the financial department's work **APPEAR** as the most important:

- to keep **RECORDS** of all economic activities of the firm for a certain period of time and show its results, **I.E.** of and how it achieves a profit or suffers a loss. The resulting document is the **PROFIT AND LOSS ACCOUNT // INCOME STATEMENT**.
- to **KEEP TRACK** of capital structure and sources of financing, which is **ESSENTIAL** for ensuring a long-term stability and thus the firm's independence, we use **BALANCE SHEET // STATEMENT OF FIN. POSITION**.
- to ensure the firm's short-term **SOLVENCY** and liquidity so that it can **MEET** all its immediate financial **OBLIGATIONS**, we use the **CASH FLOW STATEMENT**.

**B) BALANCE SHEET***Complete the table using with the following English equivalents:*

<b>ROZVAHA – BALANCE SHEET</b>	
AKTIVA - ASSETS	PASIVA - LIABILITIES
<b>Dlouhodobý majetek / Stálá aktiva</b> <b>1 Fixed assets</b>	<b>Vlastní kapitál / Vlastní jmění</b> <b>2 Equity / Total equity</b>
- dlouhodobý nehmotný majetek <b>3 Intangible fixed assets / Intangible assets</b>	- základní kapitál / základní jmění <b>4 Registered capital / Legal capital (statutory equity)</b>
- dlouhodobý hmotný majetek <b>5 Tangible fixed assets / Tangible assets</b>	- kapitálové fondy <b>6 Capital funds / Other equity accounts</b>
- dlouhodobý finanční majetek <b>7 Financial investments/Long-term financial assets /Investments</b>	- fondy ze zisku <b>8 Funds created from net profit / Reserves (appropriated retained earnings)</b>
	- hospodářský výsledek (zisk) <b>9 Profit (loss) (of previous years + of current period)</b>
<b>Oběžný majetek / Oběžná aktiva</b> <b>10 Current assets / Non-fixed assets</b>	<b>Cizí zdroje</b> <b>11 Liabilities</b>
- zásoby <b>12 Inventory</b>	- rezervy <b>13 Reserves / Allowances</b>
- krátkodobé pohledávky <b>14 Short-term receivables / Current receivables</b>	- krátkodobé závazky <b>15 Short-term payables / Short term liabilities</b>
- dlouhodobé pohledávky <b>16 Long-term receivables</b>	- dlouhodobé závazky <b>17 Long-term liabilities / Long-term liabilities</b>
- finanční majetek <b>18 Financial assets / Current liquid assets</b>	- bankovní úvěry (a výpomoci) <b>19 Bank loans / Bank loans and other credit</b>
<b>Ostatní aktiva</b> <b>20 Other assets</b>	<b>Ostatní pasiva</b> <b>21 Other liabilities</b>
Celkem aktiva <b>22 Total assets</b>	Celkem pasiva <b>23 Total liabilities / Total liabilities and equity</b>

### C) DISTRIBUTION OF PROFITS

*Complete the text using the words from the box:*

Profit is one of the key **INDICATORS** of a successful **ENTREPRISE**. It should always be **BORNE** in mind that any profit is **SUBJECT** to the income tax (*AM – corporate tax*), the rates of **WHICH** differ between individuals and corporations and from time to time are changed according to the **OVERALL** economic situation. When comparing **FIGURES**, it has to be clear if they relate to profits before or after tax, the **LATTER** being the net profit, also known as net income. It is distributed into reserves to be **ALLOCATED** to the reserve fund, **RETAINED** profits for re-investment and dividends as rewards for shareholders who invested their money and became co-owners by buying shares. The **PROFIT** is written in black, the **LOSS** in red. The final result is shown on the **BOTTOM LINE**. As a rule, profit and loss accounts are accompanied by **ENCLOSURES** showing the methods of evaluation, depreciation and other relevant information.

### D) DEFINITIONS

*Find an expression which fits the definitions below:*

to gradually reduce the value of machinery, a vehicle or other asset over a particular period of time, as stated in a company's accounts: **DEPRECIATE**

to reduce the cost of an asset in a company's accounts over a period of time, especially an intangible asset (= one you cannot touch): **AMORTIZE**

products that are only partly manufactured at the end of an accounting period, valued at the cost of the materials, labour and some regular costs : **WORK-IN-PROGRESS/WORK IN PROCESS**

one of the costs involved in running a business, such as staff pay, electricity, materials, etc: **OPERATING EXPENSE**

the difference between the value stated on shares that a company issues and the higher amount it receives for them: **SHARE PREMIUM**

tax on profits made during a particular accounting period which only needs to be paid during a later period. (Companies keep an amount of money separate in their financial records to pay for this): **DEFERRED TAX**

recording a company's financial activities in a way that hides the true situation: **CREATIVE ACCOUNTING**

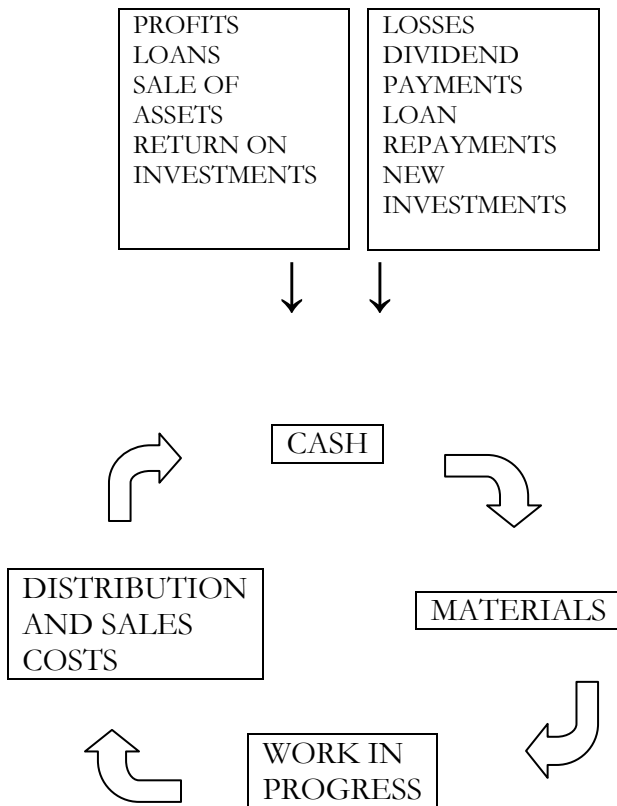
to write or send a bill for work you have done or goods you have provided: **TO INVOICE**

the usual way of keeping a company's financial records, in which each amount spent, received, etc. is recorded with a credit in one account and a debit in another: **DOUBLE-ENTRY BOOK-KEEPING**

Costs such as rent, interest, insurance premium, etc., that are paid in advance of actually incurring them and (as opposed to deferred charges) / money paid for goods or services upfront (this money is considered an asset on the balance sheet): **PRE-PAID EXPENSES**

E) Describe the working capital flow using the chart below:

### WORKING CAPITAL FLOW



F) 1. Mezi nehmotná aktiva, jejichž hodnotu lze těžko přeměnit na peněžní prostředky, patří hodnota podniku, autorská práva a ochranná známka.

**Intangible assets, whose value is difficult to turn into cash, include goodwill, copyright and trademark.**

2. Celková hodnota akcií podniku v jakémkoli daném okamžiku se nazývá tržní kapitalizací. Lze ji vypočítat počtem vydaných kmenových akcií násobeno jejich tržní cenou.

**Total value of a company's shares at any given moment is called market capitalization. It can be worked out by a number of issued ordinary shares times/multiplied by their market price.**

3. Hmotná aktiva jsou vlastnictvím, které má materiální čili fyzickou hodnotu.

**Tangible assets are a property that has a material or physical form.**

4. Provozní kapitál je rozdíl mezi oběžnými aktivy a krátkodobými závazky.

**Working/operating capital is the difference between current assets and short-term liabilities.**

5. Položky, o nichž firma předpokládá, že je bude vlastnit déle než jeden rok, se nazývají stálá aktiva.

**Items which a firm expects to keep for more than one year are called fixed assets.**

G) Complete the sentences using the verbs from the box:

RETAIN	DEFER	INCUR	OWE	DISGUISE	ACCRUE
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1. The firm **accrued** debts of over \$10 m.

2. Creative accounting uses all available accounting procedures and tricks **to disguise** the true financial position of a company.
3. An **incurred** expense is one that is purchased, but not paid for yet. An example would be buying an item with a credit card.
4. Creditors are the amounts that a business **owes** to its suppliers or to people who have made loans, shown as liabilities on its balance sheet.
5. Tangible asset is a physical thing that **is owned** by a company or person, such as goods, machines, buildings and cash.
6. The vast majority of capital spending by companies is financed from **retained** earnings.
7. The lenders agreed **to defer** the first debt repayment.
8. Fixed assets **are depreciated** over four years.