

## Unit 2 — Making a Career in Accounting



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### Balance sheet

a document which summarizes the assets, liabilities and equity of a business entity at a given time

"The analysis of balance sheets for the last three months showed an increase in the value of the company."

### CPA (Certified public accountant)

the American and Australian equivalent of a chartered accountant

"After James passed his exams, he became a certified public accountant."

### CFO (Chief financial officer)

the most senior financial manager, responsible for overseeing the financial activities of the entire company

"The board of directors were satisfied with the CFO's explanation of the unexpected loss reported in the accounts."

### Credits

an entry showing the amount of money paid (or owed) to the company, entered on the right hand side

"The sales ledger clerk totaled the credits and saw that the company was owed over \$1 million."

### Debit

an entry showing an amount owed (due to be paid by the company), entered on the left hand side

"Before we can pay the invoice, we need to record the invoice as a debit in the accounting system."

### Deferral

the state of postponing the recognition of an asset or liability until a future time

"As his accountant hadn't finished the tax calculations, he applied for a deferral."

### Double taxation

the state where income tax is paid twice (often to two different governments) on one income

"A lot of countries now have double taxation agreements, so people should only pay the tax in the country where the money was earned."

**Due diligence**

reasonable actions taken by a person to satisfy a law or regulation

"The accountant suggested not signing the final contract until all due diligence was done to check that the company would be profitable."

**Foreign currency**

the money used in another country

"Because the company had offices in Spain, Brazil and America, they had to deal with several foreign currencies including the Euro."

**In excess of**

more than, greater than

"The most recent set of accounts reported a net profit in excess of \$5 million."

**LLC (Limited liability company)**

a business entity where the debts of the company are separate from the debts of the shareholder

"As it was a Limited liability company, the creditors couldn't get at John's private assets when the company went bankrupt."

**Reconcile**

to ensure that two figures agree with each other

"A lot of accounting departments reconcile the bank account to the accounts every day."

**Record**

a written account of a transaction

"The auditors went through every record of sale over the last decade before they were satisfied."

**Sole-trader**

a business which is owned and run by one person

"Sole-traders don't have to meet such strict accounting requirements as larger corporations."

**Trial balance**

a statement of all debits and credits in the double-entry account book, with any discrepancies shown

"The company accountant spent two days trying to get the trial balance to agree."