

UNIT 2

UNIT MAP

Reading 1:	Key Accounting Terms
Reading 2:	Types of Business Organisations
Focus on Vocabulary:	Prepositions
Language Task:	Bookkeepers Vs Accountants
Focus on Grammar:	Present Simple Tense
Writing Task:	Describing Professional Functions
Extra Activity 1:	What functions do you perform? (<i>see page 105</i>)
Extra Activity 2:	Analysing Different Aspects of Business Organisations (<i>see page 105</i>)
Extra Activity 3:	Setting up a Business (<i>see page 105</i>)

1. INTRODUCTION TO THE UNIT

In the first part, Unit 2 introduces the basic accounting terms, with the definitions provided in the Reading Section. The second part of the Unit focuses on different types of business organisations, their key characteristics and the concept of liability for debts.

2. READING 1: Introduction

There are a large number of questions to start the lesson with. Choose the questions according to the abilities of your class.

1. What information is recorded in accounting records?
Accounting records contain information on a company's transactions.
2. Where do accountants first record business transactions?
They are first recorded in journals.
3. In which accounting records are transactions subsequently posted?
They are subsequently recorded in the general ledger.
4. What term describes the process of transferring transactions into journals and ledgers?
Posting or recording transactions.
5. What term describes the written form of a recorded transaction?
An entry.
6. How are different groups of transactions classified?
They are classified into different accounts.
7. What is a list of all company's accounts called?
A chart of accounts.
8. In what order are the accounts presented in a chart of accounts?
Balance sheet accounts are listed first, followed by income statement accounts.
9. How many accounts can a company's chart of accounts include?
Depending on the size of a company, a chart of accounts may list as few as thirty accounts or as many as thousands.
10. In how many accounts is each transaction recorded?
In at least two accounts: one account is debited and the other account is credited.
11. Why is each transactions recorded in at least two accounts?
Because this complies with the basic rule in accounting which states that all debits must equal credits.
12. What are the specific rules or principles that an entity follows when preparing its financial statements?
Accounting policies.

3. READING COMPREHENSION 1: Answers

1. What tasks do accountants perform?

They are responsible for keeping or maintaining, preparing, examining, inspecting and interpreting a company's financial records.

2. What is a chart of accounts?

A listing of all accounts used in the general ledger of an organisation.

3. How are transactions recorded under the double-entry bookkeeping system?

Each transaction is recorded in at least two accounts, which means that each transaction has an appropriate debit and credit entry.

4. What are accounting policies?

Accounting policies are specific rules, principles and procedures used and consistently followed by a company to prepare and report its financial statements.

READING 1 KEY VOCABULARY

financial records	transaction	journal
ledger	entry	chart of accounts
balance sheet	income statement	double-entry bookkeeping
debit entry	credit entry	accounting policy
accounting practice	financial statements	

4. SPEAKING 1

Students provide answers based on their company's practice.

5. FOCUS ON VOCABULARY: Prepositions

Point out that in verb-preposition or adjective-preposition combinations, corresponding prepositions must be learnt by heart.

Note: 'responsible' collocates both with *for* and *to*, depending on the context.

1. responsible	A. for
2. specialised	B. in
3. deal	C. with
4. in charge	D. of
5. entitled	E. to
6. comply	F. with
7. related	G. to
8. advise	H. on
9. exempt	I. from
10. subtracted	J. from

6. LANGUAGE TASK: Bookkeepers Vs Accountants

1. **Bookkeepers** record financial transactions.
2. **Accountants** are responsible for preparing tax returns.
3. **Accountants** analyse financial data.
4. **Bookkeepers** maintain general ledgers.
5. **Accountants** prepare financial statements.
6. **Accountants** interpret financial data to the company management.
7. **Bookkeepers** post journal entries.
8. **Bookkeepers** produce invoices.
9. **Accountants** are in charge of establishing and monitoring control procedures.
10. **Bookkeepers** post debits and credits.

7. FOCUS ON GRAMMAR: Present Simple Tense

Students use the Unit vocabulary to form questions about the routine activities they perform.

8. READING 2: Introduction

Discuss different considerations to be taken into account before forming a company, as presented in Reading 2 (formation expense, management simplicity, liability for debts, tax considerations, etc.). In a stronger class, ask students to explain the differences between different forms of business organisations.

9. READING COMPREHENSION 2: Answers

1. What factors should be considered before establishing a business organisation?

The expense of forming and operating the business, management simplicity, tax considerations, the level of control over the company's affairs, the ability to raise capital, the extent of liability for the organisation's debts.

2. What is the difference between unincorporated and incorporated entities?

Unincorporated entities are those with no legal difference between the owner and the entity, while incorporated businesses are those organisations which are separate legal entities from their owners.

3. What is the difference between a general and limited partnership?

The general partnership is a type of business where both partners share the profits and liabilities equally. The limited partnership is a business organisation with both general and limited partners.

4. Why might owners of private limited companies decide to go public?

They decide to go public in order to raise extra capital.

READING 2 KEY VOCABULARY

entrepreneur	to set up	liability for debt
unincorporated	incorporated	sole proprietorship
self-employed	to establish	governmental interference
liable to	to incur	general partnership
limited partnership	to assume debts	private limited company
to exceed	public limited company	to raise capital
to go public	to float the company	stock exchange

10. SPEAKING 2

Let students speak freely and do not overcorrect.

11. WRITING TASK

Assign the writing task for homework.

12. BUILDING UP A NEW VOCABULARY

1. transaction	A a business event that has a monetary impact on an entity's financial statements and is recorded as an entry in its accounting records
2. journal	B the book of original entry
3. general ledger	C the book of final entry
4. financial records	D formal documents representing the transactions of a business, individual or other organisation
5. debit entry	E an accounting entry that results in either an increase in assets or a decrease in liabilities on a company's balance sheet
6. credit entry	F an accounting entry that either increases a liability or decreases an asset on a company's balance sheet
7. double entry bookkeeping	G a system of accounting in which every transaction has a corresponding positive and negative entry
8. liability	H legal responsibility for something
9. unincorporated entity	I a business organisation that does not possess a separate legal identity from its owner(s)
10. incorporated entity	J a business organisation viewed as a separate entity from its owners