

LESSON

ONE

FINANCE AND ACCOUNTS



Finance and accounts

1. Before Reading

The purpose of this lesson is to introduce the subject of finance and accounts by looking at some basic principles behind this area.

We will look at the profit and loss account and the balance sheet and attempt to distinguish between the two and to offer the opportunity for some preliminary analysis.

Prereading questions:

- Which is the difference between the terms 'cost' and 'revenue'? (¿Cuál es la diferencia entre los términos 'cost' y 'revenue'?)
 - Tell the meaning of the concept 'profit'. (Diga el significado del concepto 'profit')
 - State the difference between a profit and loss account and a balance sheet. (Establezca la diferencia entre un estado de resultados y un balance general)
 - What do these concepts tell about a business? (¿Qué dicen estos conceptos acerca de un negocio?)
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What is the difference between Finance and Accounting?

En el Aula Virtual, observe atentamente el siguiente video sin preocuparse por la complejidad de los enunciados en inglés y posteriormente responda las preguntas. Dé clic en los enlaces:



Video link:

<https://www.youtube.com/watch?v=5kJzV2zHj8M>

Exercise at the Virtual Classroom:

Finance and Accounting

<http://elearning.orlandocarcamo.com/mod/hotpot/view.php?id=1648>

2. READING ON THE TOPIC

Lea atentamente los siguientes textos sin preocuparse por la complejidad gramatical o léxica y responda las preguntas planteadas al final:

BASIC CONCEPTS:

PROFIT AND LOSS

We will start by looking at the terms '**profit**' and '**loss**'. Both these terms are concerned with the difference between the money a firm receives through selling its products (**revenue**) and the **costs** it has to pay to produce and sell those products.

$$\text{Profit} = \text{TR} - \text{TC}$$

- TR = Total Revenue. TR is found by multiplying price by the amount sold. ($TR = P \times Q$)
- TC = Total Costs. This is all the costs involved in producing and selling a good or service. Costs can be **fixed** (which do not depend on the amount produced or sold) or **variable** (which depend directly on the amount produced or sold). ($TC = FC + VC$)

Profit can be negative - if it is, then we call it a loss.

- If TR is greater than TC over a period of time, the firm will make a profit.
- If TR is less than TC, the firm makes a negative profit or a loss.

For example:

If TR = £350 and TC = £250 then the profit would be £100

If TR was £500 but TC were £650, the firm would make a loss of £150.

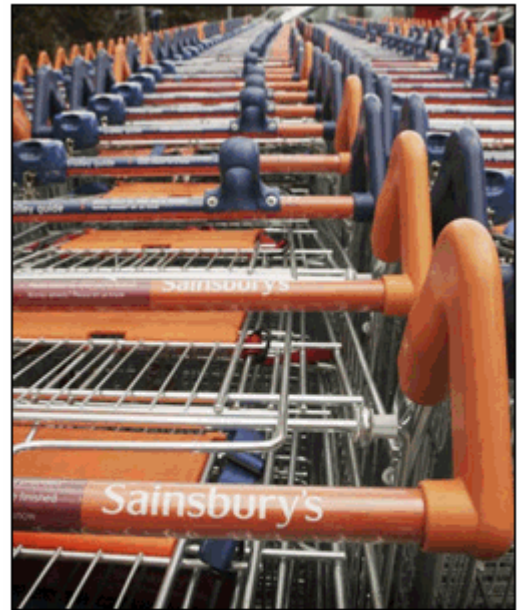
Sainsbury's made a loss for the first time in 2004 but are still operating and now doing much better! Copyright: Getty Images, from [Education Image Gallery](#).

Remember, profit is **not** the same as revenue!

CASE STUDY: SAINSBURY'S

Making a loss does not mean that a firm will close down. Many very large firms make losses at some point in their history but do not immediately close down. Sainsbury's, for example, had a difficult time some years ago. The company has been going for over 130 years but in 1994 it announced that it had made a loss of £39 million for the first half of the year. In May 2006, the firm reported profits for 2005 of £267 million!

Sometimes you will see news reports of firms reporting a 'collapse in profits' The headlines might make things sound bad but there might be very good reasons for the fall in profits, which may not always be a 'bad thing' as such. We need to think a little about what lies behind the headlines and what we really mean by 'profit'.



Sainsbury's made a loss for the first time in 2004 but are still operating and now doing much better! Copyright: Getty Images, from Education Image Gallery.

Let us take the Sainsbury's example. In 2004, Sainsbury's made a profit but also a loss. That might sound very confusing. The company made a profit on its sales - the food and groceries that we bought from them. However, the company also had a number of extraordinary costs that it had to pay. Since the mid-1990s, Sainsbury's had been investing in IT systems and new distribution depots to try to improve efficiency and service. Unfortunately, these had not worked as they had planned and so in 2004, they had to spend more money to attempt to sort out the problem. This meant their costs were much higher than they would normally have been. It was these extraordinary costs that had pushed them into loss.

If the loss was worse the next year and continued to get worse in subsequent years then Sainsbury's really would have been in trouble. Firms can only cope with losses for a certain period of time; if they do not or cannot do anything to turn the situation around, they will be forced to close.

From our profit formula, we can tell a number of things:

- Profit can be improved by increasing revenue
- Revenue can be improved by changing the price of a product or by finding ways to sell more goods
- Profit can be increased by reducing the cost
- Cost can be reduced by acting on the variable costs (direct costs) or the fixed costs (overheads)
- Profit could be improved by a combination of increasing revenue and reducing costs

We can see from this that there are quite a lot of things that can affect the profit a firm makes. For Sainsbury's, the problem for them in 2004 was not that there was anything really wrong with their revenue but it was the costs that really made a difference.

This background information and the importance of understanding how profit is made are important in understanding the idea of break-even.

Break-even is the level of output at which the firm is just earning enough in revenue to just cover its costs - at the break-even output, the business makes neither a profit nor a loss. As we mentioned earlier, break-even is a planning tool: it allows the firm to be able to see what might happen if it changed some of the factors that influence profit.

We are going to use the scenario of the fruit stall introduced in another resource to look at break-even in more detail.

BIZ/ED. Finance and Accounts 1: Basic Principles. Online: <http://www.bized.co.uk/educators/16-19/business/accounting/lesson/finance1.htm>
(Searched: March 26th, 2008)

CHECK YOUR COMPREHENSION

Estrategia de lectura: Localización de información específica explícita.

Lea nuevamente los textos anteriores y conteste las siguientes preguntas:

-What is Sainsbury's? (¿Qué es Sainsbury's?)

-What does Sainsbury's do? (¿Qué hace Sainsbury's?)

-How can profit be improved? (¿Cómo pueden las ganancias ser mejoradas?)

-How can cost be reduced? (¿Cómo pueden ser reducidos los costos?)

-Tell the difference between profit and revenue. (Diga la diferencia entre ganancia e ingreso)

-What is break-even? (¿Qué es punto de equilibrio?)

WORKING WITH WORDS

3.1 En los textos anteriores, subraye las palabras que usted cree que conoce.

3.2 Compare sus palabras conocidas con las de un compañero. Si tienen significados diferentes para la misma palabra, solicite ayuda al profesor.

3.3 Haga una lista de palabras que usted desconozca. Busque su equivalente en un diccionario español-inglés. Trate de escoger el sentido que más se relacione con el contexto

VOCABULARY TOPICS: WORDS AND PHRASES

La comprensión de textos financieros en inglés se dificulta a menudo por la abundancia de frases y palabras con significados específicos dentro del campo de los negocios.

General Phrases

Una frase es un conjunto de palabras que funcionan como una unidad y cuyo significado no siempre es la suma de las palabras individuales que la forman. Conviene entonces tener un dominio de las frases más comunes:

Frases en Gerundio:

En los textos leídos aparecen frases del tipo “by looking”, formadas por la preposición **by** acompañada de un **verbo en gerundio**. Se usan a menudo para indicar el método o forma de hacer algo. Generalmente estas frases se pueden traducir de dos formas:

By looking	al mirar, mirando
By multiplying	al multiplicar, multiplicando
by increasing revenue:	Al aumentar el ingreso, aumentando el ingreso
by changing the price	Al cambiar el precio, cambiando el precio
by finding ways to sell more goods	encontrando maneras de vender más productos
by reducing the cost:	reduciendo los costos

También aparecen frases formadas por la preposición **in** seguida por un **verbo en gerundio**: “In producing and selling” (en la producción y la venta / en producir y vender).

in understanding the idea	En la comprensión de la idea
in dealing with accounts	En el tratamiento de las cuentas, al tratar con las cuentas

Otras frases con verbos en gerundio:

through selling	a través de la venta
the importance of understanding	La importancia de entender
Are doing much better:	están funcionando mucho mejor
Making a loss	Obtener pérdidas, tener pérdidas

Frasas con verbos:

close down:	cerrar (un negocio para siempre)
to turn the situation around:	cambiar la situación

Frasas con preposiciones

a 'collapse in profits':	una "caída en las ganancias".
in trouble:	en problemas
on its sales:	sobre sus ventas

Otras frases:

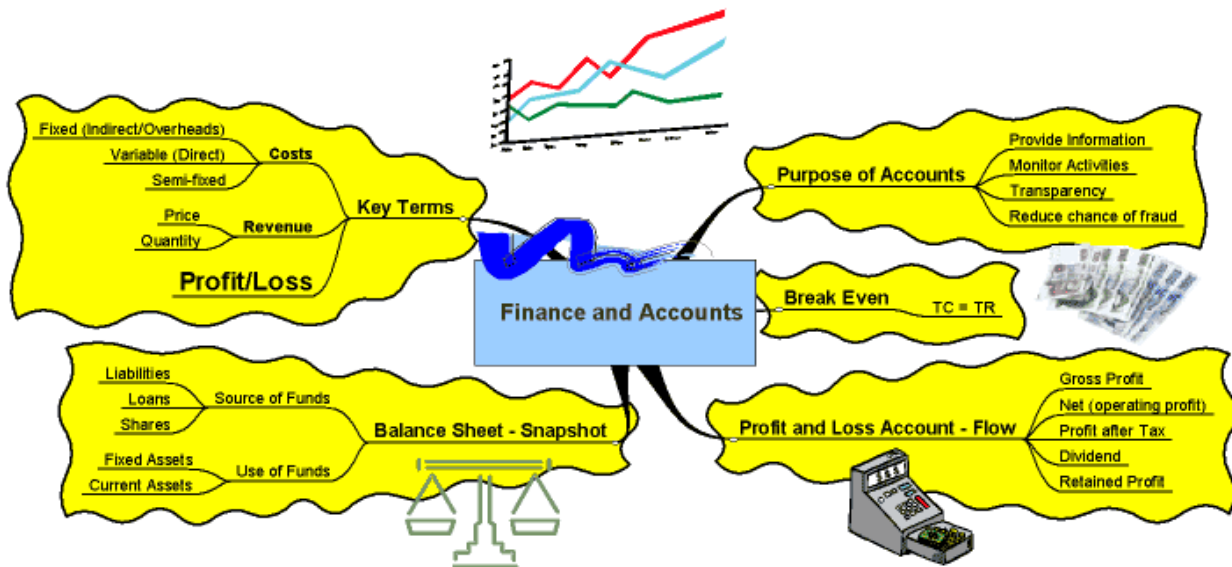
Greater than	Más grande que, mayor que
Less than	Menos que
Much higher	Mucho más alto
The first half of the year	La primera mitad del año
the same as:	lo mismo que
some years ago:	hace algunos años
news reports:	informes noticiosos
the fall in profits:	la caída en las ganancias
food and groceries:	comida y productos alimenticios
distribution depots:	almacenes de distribución
fruit stall:	puesto de frutas

Business and Finance Phrases and words

Las siguientes frases y palabras son de manejo específico en los textos sobre negocios y finanzas:

Finance	finanzas
accounts	cuentas
Ratio analysis	Análisis de cocientes
Balance sheet	Balance general
profit	ganancia
loss	Pérdida
revenue	Ingreso, renta
cost	costo
Total revenue	Ingreso o renta total
Amount sold	Cantidad vendida
Total costs	Costos totales
A good or service	Un producto o servicio
Fixed costs	Costos fijos
Variable costs	Costos variables
overheads	Costos fijos
firm	Firma, empresa
Large firms	Grandes firmas
sales	ventas
break-even	Punto de equilibrio

MIND MAP: FINANCE AND ACCOUNTS



WORKING WITH GRAMMAR

Para tener un dominio rápido de los textos en inglés, conviene aprenderse los verbos de uso más frecuente en lecturas avanzadas:

1. MOST FREQUENTLY USED VERBS

VERBS		EXAMPLES	EQUIVALENTS
Be	Ser, estar	It can be sold immediately	Puede ser vendido inmediatamente
Is	Es, está	profit is not the same as revenue	La ganancia no es lo mismo que el ingreso
Are	Son, están	how effective are these new strategies?	Qué tan efectivas son estas estrategias?
Were	Era(n), estaba(n)	their costs were much higher	Sus costos fueron mucho más altos
Was	Era, estaba	Sainsbury's was , for many years, the leading supermarket retailer in the UK	Sainsbury's fue, por muchos años, el principal supermercado minorista en el Reino Unido
Been	Sido, estado	Sainsbury's had been investing in IT systems	Sainsbury's había estado invirtiendo en sistemas IT.
Will	Auxiliar de futuro	you will see news reports	Usted verá informes noticiosos
Can	Poder	Profit can be increased by reducing the cost	La ganancia puede ser incrementada al reducir los costos
Might	Podría	consumers might react to the price changes	Los consumidores podrían reaccionar a los cambios de precios

2. MODAL VERBS

Los verbos modales son verbos auxiliares. Se les llama modales porque expresan modalidad en las siguientes formas: posibilidad, probabilidad, obligación o permiso. Las siguientes oraciones están contenidas en el texto Profit and Loss. Los verbos modales aparecen resaltados en color amarillo:

Puede ser mejorada
 Profit **can** be improved by increasing revenue

comenzaremos
 We **will** start by looking at the terms 'profit' and 'loss'

sería
 If TR = £350 and TC = £250 then the profit **would** be £100

YOU
should
work
hard

En total son diez los verbos modales. Es recomendable aprendérselos ya que aparecen en la mayoría de textos académicos y científicos en donde se plantea habilidad, probabilidad, posibilidad, obligación o permiso.

La siguiente tabla presenta los verbos modales con el sentido más utilizado. Se omiten explicaciones sobre matices semánticos que pueden resultar confusas o poco útiles a la hora de leer textos sobre temas financieros:

MODAL VERB	MEANING	EXAMPLES
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Can

Poder, en el sentido de habilidad física o intelectual

- Costs **can** be fixed or variable
(Los costos **puede ser** fijos o variables)
- Firms **can** only cope with losses for a certain period of time
(Las empresas **sólo pueden** hacer frente a las pérdidas durante un cierto período de tiempo)

MODAL VERB	MEANING	EXAMPLES
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Will

Indica que el verbo que le sigue está en tiempo futuro

- If TR is greater than TC over a period of time, the firm **will** make a profit
(Si TR es más grande que TC durante un periodo de tiempo, la empresa **obtendrá** una ganacia)
- Making a loss does not mean that a firm **will** close down
(Obtener una pérdida no significa que una firma **cerrará**)

MODAL VERB	MEANING	EXAMPLES
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Could

Podría, pudo. Indica una posibilidad más real o probable que la indicada por might

- The same work **could** have been performed in only 40 minutes.
(El mismo trabajo **pudo** haber realizado en sólo 40 minutos.)
- This group **could** form the basis of the Ergonomics Facilitation Team (EFT)
(Este grupo **podría** formar la base del Equipo de Facilitación de Ergonomía)

MODAL VERB	MEANING	EXAMPLES
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May

Poder, en el sentido de posibilidad o permiso

-These items **may be added** through group discussion by key persons or the members of the Ergonomics Facilitation Team.

(Estos elementos **pueden ser agregados** mediante la discusión de grupo por parte de personas clave o los miembros del Equipo de Facilitación de Ergonomía)

-Older workers **may not work** as quickly as younger workers in stressful working conditions

(Los trabajadores de edad **no pueden trabajar** tan rápido como los trabajadores más jóvenes en las condiciones de trabajo estresantes)

MODAL VERB	MEANING	EXAMPLES
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Might

Podría, en el sentido de posibilidad remota o débil probabilidad.

-Working in an unstable position **might cause** a costly mistake.

(Trabajar en una posición inestable **podría causar** un error costoso.)

-Another solution **might be to install** a mechanical lifting aid or change the height of a shelf, chair or table

(Otra solución **podría ser la instalación** de un aparato de elevación mecánico o cambiar la altura de una estantería, una silla o una mesa)

MODAL VERB	MEANING	EXAMPLES
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Shall

Indica que el verbo que le sigue está en futuro (usado en Inglaterra). También tiene el sentido de **deber** en sentido futuro

An employer **shall ensure** that adequate and appropriate equipment is provided to the employee...

(El empleador **deberá asegurar** que (a) un equipo adecuado y apropiado es proporcionado al empleado ..)

-The worker **shall have** at least five minutes of time free from such work in every hour.

(El trabajador **deberá tener** por lo menos cinco minutos de tiempo libre de este tipo de trabajo en todas las horas.)

MODAL VERB	MEANING	EXAMPLES
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Should

Debería, en el sentido de recomendación.

-The workplace **should be designed** to accommodate the body size of the user.

(El lugar de trabajo **debería** ser diseñado para acomodar el tamaño del cuerpo del usuario.)

-One **should understand** the functions of the mechanisms, and know how to operate them.

(Uno **debería entender** las funciones de los mecanismos, y saber cómo operarlos)

MODAL VERB	MEANING	EXAMPLES
Would	Le da sentido de potencial o condicional al verbo que le sigue (ría)	<p>-The health team would like to know which jobs are causing problems for employees. (Al equipo de salud le gustaría saber qué puestos de trabajo están causando problemas a los empleados.)</p> <p>-The external full-sized keyboard would also need to be correctly positioned (El teclado de tamaño completo externo también necesitaría estar correctamente ubicado)</p>

MODAL VERB	MEANING	EXAMPLES
Must	Deber, en el sentido de obligación	<p>-Visibility factors must be considered when workspace is designed. (Los factores de visibilidad deben ser considerados cuando el espacio de trabajo es diseñado)</p> <p>-Workers must be involved in all aspects of the ergonomics program (Los trabajadores deben estar involucrados en todos los aspectos del programa de ergonomía)</p>

MODAL VERB	MEANING	EXAMPLES
Ought to	Debería, en el sentido de obligación débil	<p>-You ought to study more (Usted debería estudiar más)</p> <p>- She ought to be at home (Ella debería estar en casa)</p>

2.1 Negative Form

La forma negativa de los verbos modales se construye colocando la palabra NOT después del verbo modal.

Affirmativa form

You can stop a problem

You will learn to identify common desktop computer work station problems

Special attention must be paid to the user's comfort.

The same work could have been performed in only 40 minutes

Negative form

You can **not** stop a problem

You will **not** learn to identify common desktop computer work station problems

Special attention must **not** be paid to the user's comfort.

The same work could **not** have been performed in only 40 minutes

2.2 Question form

La forma interrogativa de los verbos auxiliares modales se construye colocando el verbo modal al comienzo de la oración:

Affirmative sentences

Excessive noise **can** cause permanent hearing loss

Repetitive Strain Injuries" (RSIs) **may** result from repetitive motions

Interrogative sentences

Can excessive noise cause permanent hearing loss?

May repetitive Strain Injuries" (RSIs) result from repetitive motions?

EXERCISES

Dé clic **AQUÍ** para hacer este ejercicio en el Aula Virtual

Llene los espacios en blanco con el equivalente en inglés de la palabra en paréntesis. Observe el ejemplo:

Costs _____ be fixed or variable (puede)

Costs can be fixed or variable (puede)

1. Sometimes you _____ see news reports of firms reporting a 'collapse in profits' (verá)
2. The headlines _____ make things sound bad (podría –posibilidad remota-)
3. A fall in profits _____ not always be a 'bad thing' as such. (puede –posibilidad-)
4. Current Assets: Things owned by the business that _____ be kept for less than one year. (serán)
5. For a business, the assets _____ have been financed in some way in exactly the same fashion (deber –obligación-)
6. For a large business, the funds to acquire its assets _____ have come from shareholders, loans from large banks. (pueden –posibilidad-)
7. We _____ show what we are doing by preparing the information into what is called a 'profit and loss account'. (podemos –habilidad intelectual-)
8. For instance, an organisation _____ invest in a marketing campaign. (podría –posibilidad real-)
9. Investment appraisal _____ help to identify the best way of achieving the project's aims. (debería – recomendación-)
10. Identify those items that _____ appear on the income statement. (aparecería)
11. A business entity _____ be an individual, a not-for-profit organization such as a church, or a for-profit company such as a real estate agency. (podría –posibilidad real-)

12 As we _____ discover in later chapters, accounting information systems are developed using this equation as their foundation. (descubrirá –forma de futuro ingles-)

13. Jill thinks we _____ reclassify it as a noncurrent asset and report it as an “other receivable.” (debería –obligación débil-)

3. USES OF HAVE IN THE PRESENT TENSE

Uno de los verbos más usados en inglés es el verbo **to have**. En presente simple, este verbo tiene dos formas: **have** y **has**. *Has* se usa con pronombres o nombres el tercera persona del singular (he, she, it); *have* se usa con los demás pronombre y personas (I, you, we, they).

Have o has con frecuencia se usa con diferentes significados y funciones. Observe los ejemplos:

HAVE, HAS = TENER

Corporations **have** a major influence on the economy.

You probably **have** a checking account at a local bank,

In the bank’s records, the depositor’s account **has** a credit balance.

The supplies account **has** a balance of \$675.



I have money

En los casos anteriores, **have** o **has** es el verbo principal de la oración y significa **tener**. Después de un sujeto en singular, por ejemplo **account** (cuenta), se usa la forma **has**.

HAVE TO, HAS TO = TENER QUE

You just **have to memorize** the rules.

For example, if you apply for a credit card, you **have to fill** out an application form.

The company **has to pay** for materials, wages, insurance, and other construction items.

We don’t actually **have to distribute** the goods in this way.

En estos casos hemos colocado en color rojo el verbo principal de la oración. **Have to** o **has to** no es el verbo principal sino un verbo auxiliar modal que indica obligación proveniente de normas, personas o circunstancias externas,

HAVE, HAS = HABER

The managers are those individuals who the owners **have authorized** to operate the business.

We **have summarized** the net cash flows from operations and net income for Family Health Care below.

Delta **has established** major connecting hubs in Atlanta, Cincinnati, and Salt Lake City.

Error **has occurred** or the company has overpaid its accounts payable.

The way we buy goods (and services) **has undergone** significant changes.

JCPenney **has had to adapt** its retailing model in order to respond to all these changes.

En la frases verbales anteriores, has o have funciona como un verbo auxiliar que ayuda a construir el llamando **tiempo presente perfecto** y significa “**haber**”. Los verbos en letras rojas son los verbos principales. Note que en estas frases verbales los verbos principales se escriben en participio pasado (formas terminadas en –ado, –ido en español). Cuando los verbos son regulares, los verbos en participio pasado terminan en –ed; cuando son irregulares, los verbos cambian su raíz por formas impredecibles. Hay que aprenderse estas formas de memoria:

Owners have authorized	han autorizado
We have summarized	hemos resumido
Delta has established	ha establecido
Error has occurred	ha ocurrido
The way has undergone	ha sufrido

HAVE (HAS)+BEEN= HA SIDO, HA ESTADO

Have (has) se combina con **been** para producir frases verbales de mayor complejidad:

han sido adquiridos

Once resources **have been acquired**, a business uses **operating activities** to implement its business emphasis.

ha sido recibido

Since cash **has been received**, cash is increased by \$5,500 under the balance sheet column for assets.

ha estado sufriendo

Mango Juice Company **has been suffering** a downturn in its juice business.

4. USES OF HAVE IN THE PAST TENSE

En el tiempo pasado, este verbo tiene una sola forma: **had**. Esta forma se usa con todos los pronombres o personas gramaticales:

HAD = TENÍA, TUVO

As of December 31, 2004, Hershey **had** total assets of \$3.8 billion

For the year ending January 31, 2004, **The Limited Inc. had** revenues of \$8,934 million

However, the company also **had** a number of extraordinary costs.

The company **had** total assets of \$4,000,000 and total liabilities of \$1,000,000 on January 1, 2006.



HAD TO = TENIA QUE, TUVO QUE

As a result, the company **had to declare** bankruptcy in 2004.

We **had to shut** the old Hill Company operations down this year.

Weinstein **had to** artificially **boost** the company's sales.

HAD = HABIA, HUBO

Even though the discount period **had expired**, Sandi Kurtz subtracted the discount of \$400.

One of its sales clerks **had stolen** an undetermined amount of cash receipts.

The discount period **had expired**.

HAD+BEEN= HABIA SIDO, HABIA ESTADO

había estado invirtiendo
Sainsbury's **had been investing** in IT.

había sido comprada
The merchandise **had been purchased** by Burton Co. on account on July 5.

habían sido perdidos
A significant amount of available cash discounts **had been lost** because of failure to make timely payments

habían sido pagadas
It was discovered that the invoices for several purchases **had been paid** twice.

EXERCISES

Dé clic **AQUI** para hacer este ejercicio en el Aula Virtual

Llene los espacios en blanco con las formas de have indicadas en los paréntesis:

1. We don't actually _____ distribute the goods in this way. (tener que, tenemos que)
2. The managers are those individuals who the owners _____ authorized to operate the business. (haber, han)
3. JCPenney has _____ adapt its retailing model in order to respond to these new competitors (tenido que)
4. As a result, the company _____ declare bankruptcy in 2004. (tuvo que)
5. People often ask me if I _____ an MBA. (tener, tengo)
6. The company had _____ notified by the bank. (sido)
7. A check for \$620 _____ been incorrectly charged by the bank as \$260. (había)
8. Customer #2 _____ wait until Customer #1 is served. (tiene que)

9. For decades, the Coca-Cola Company _____ associating Coke with a single emotion: happiness. (ha estado)

10. Students often _____ difficulty determining whether an event (transaction) should be recorded. (tener, tienen)