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Lesson 01 : Public finance

People, the disadvantaged ones in particular, may receive money from the government as well, as a form of social security. For instance, the government pays **pensions, unemployment benefits, disability allowance, child allowance, grants and scholarships to help students pay for studying.**

In order to be able redistribute some money, the government has to form the budget first and cover its expenses according to fiscal policy. The government levies the money it needs from citizens through various taxes. Income tax is the tax collected on individuals' wages and salaries. Inheritance tax is levied on what people inherit from others as a legacy.

Activity one

Which words in the text given in bold are defined below?

- 1- Money paid by the state to a person when he/she retires.....
- 2- Money given for education.....
- 3- Money paid to people with a handicap.....
- 4- Money paid to people that are made redundant.....
- 5- Amount of money available or needed for a specific use.....

Activity two :

Group the following words under the headings:

Salary- bill- mortgage- debt- tax- fare- fine- bonus- fee- divided- installment- legacy- rent, premium- subsidy- deposit.

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A Accounting

- **Accounting** involves **recording** and **summarizing** an organization's **transactions** or business deals, such as **purchases and sales**, and **reporting** them in the form of **financial statements**. In many countries, the **accounting** or **accountancy** profession has professional organizations which operate their own training and examination systems, and make technical and ethical rules: these relate to accepted ways of doing things.
- **Bookkeeping** is the day-to-day recording of transactions.
- **Financial accounting** includes **bookkeeping**, and **preparing financial statements** for **shareholders** and **creditors** (people or organizations who have lent money to a company).
- **Management accounting** involves the use of accounting data by managers, for making plans and decisions.

B Auditing

Auditing means examining a company's **systems of control** and the **accuracy** or exactness of its records, **looking for errors or possible fraud**: where the company may have deliberately given false information.

- An **internal audit** is carried out by a company's own **accountants** or **internal auditors**.
- An **external audit** is done by **independent auditors**: auditors who are not employees of the company.

The external audit examines the truth and fairness of financial statements. It tries to prevent what is called '**creative accounting**', which means recording transactions and values in a way that produces a false result - usually an artificially high profit.

There is always more than one way of presenting accounts. The **accounts** of British companies have to give a **true and fair view** of their financial situation. This means that the financial statements must give a correct and reasonable picture of the company's current condition.

C Laws, rules and standards

In most continental European countries, and in Japan, there are **laws** relating to accounting, established by the government. In the US, companies whose stocks are traded on public stock exchanges have to **follow rules** set by the Securities and Exchange Commission (SEC), a government agency. In Britain, the rules, which are called **standards**, have been established by independent organizations such as the Accounting Standards Board (ASB), and by the accountancy profession itself. Companies are expected **to apply** or use these standards in their **annual accounts** in order to give a true and fair view.

Companies in most English-speaking countries are largely funded by shareholders, both individuals and **financial institutions**. In these countries, the financial statements are prepared for shareholders. However, in many continental European countries businesses are largely funded by banks, so accounting and financial statements are prepared for creditors and the **tax authorities**.

Terminology	المصطلح
Accounting	
Recording & Summarizing	
Transactions or Business deals	
Purchases Sales	
Reporting (v)	
Accounting or Accountancy profession	
Bookkeeping	
Shareholders	
Creditors	
Auditing	
Errors	
Fraud	
Standards	
Laws	
Rules	