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САНКТ-ПЕТЕРБУРГСКИЙ  
ПОЛИТЕХНИЧЕСКИЙ УНИВЕРСИТЕТ ПЕТРА ВЕЛИКОГО

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АНГЛИЙСКИЙ ЯЗЫК  
ДЛЯ СТУДЕНТОВ  
ЭКОНОМИЧЕСКИХ НАПРАВЛЕНИЙ  
ГЛОССАРИЙ С УПРАЖНЕНИЯМИ

ЧАСТЬ IV

ФИНАНСЫ. ФИНАНСЫ И КРЕДИТ. ФИНАНСОВЫЙ МЕНЕДЖМЕНТ  
МЕЖДУНАРОДНЫЙ ФИНАНСОВЫЙ УЧЕТ И АУДИТ  
БУХГАЛТЕРСКИЙ УЧЕТ. АНАЛИЗ И АУДИТ. ВНУТРЕННИЙ АУДИТ  
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Пособие предназначено для студентов, обучающихся по направлениям подготовки «Экономика» и «Менеджмент», а также для студентов, в учебные планы которых включен курс делового английского языка.

Пособие состоит из нескольких сборников (частей), каждый из которых адресован обучающимся по разным профильным программам.

Часть 4 данного пособия включает в себя задания для профилей: «Финансы», «Финансы и кредит», «Финансовый менеджмент», «Международный финансовый учет и аудит», «Бухгалтерский учет», «Анализ и аудит», «Внутренний аудит», «Налоговое администрирование и консультирование». Каждый раздел пособия содержит 2 части: краткий глоссарий по конкретной специализации студентов и упражнения на освоение и закрепление профессиональной лексики.

Пособие снабжено ключами в виде отдельного приложения, что позволяет использовать его как для аудиторной, так и для самостоятельной работы.

Печатается по решению

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## CHAPTER I.

### FINANCE.

### BANKING AND FINANCE.

### FINANCIAL MANAGEMENT.

### INTERNATIONAL ACCOUNTING AND AUDIT.

#### 1.1. GLOSSARY

absorption costing	
account	
current account	
deposit account	
profit and loss account	
account/accounting period	
accountancy	,
accounting	
accountant	
accumulate	, ,
accuracy	,
accrued expenses	/ , ,
activity-based costing	/ , -
additional costs	/
aid	,
allocate	,
allocation	, , ( , , . .)
amortization	
angel investor	,

annual accounts	,
anticipate a loss	,
appreciate/ appreciation	/
asset allocation	
asset management	
assets	
current assets	
liquid assets	
audit	
external audit	
internal audit	
auditing	,
auditor	
auditorsøreport	
automated teller machine (ATM)	
bad debt	/ ,
bail out	, ,
balance	, , , ,
balance of payments	
balance of trade	,
balance sheet	
banknote	,
bank run	( )
bank transfer	
base rate	/
bear (n), bear (v)	« » ( , ),
bear market	,
beneficiary	, ,

bid	,	(	)
bill	,	(	)
bill of exchange	(	)	,
bill of lading	(	)	
blue chip	«	»,	
	,		;
bond			
government bond			
corporate bonds			
bonus	,		,
bonus issue/ capitalization issue	/	/	,
bookkeeping			,
double-entry bookkeeping			
boom and bust			
boost (v)	,		
borrow (v)	,		
borrower			
bottom line		,	,
bottom out			
breakeven analysis			
breakeven point			
bridging finance	,		
broker	,	,	,
		,	
budget			
budget acceptance			

budget management	
building society	, ( .)
bull / bull market	« » / , ,
business cycle	-
business entity	
call option	-
capital	,
capital accumulation	/
capitalization rate	/
capitalize	,
capital gain	
capital gains tax	
capital transfer tax	
capital productivity	
cash	, , « »
cash dispenser	
cash flow	/
cash flow statement (CFS)	
central bank	
certificate of deposit	,
charge (n), charge against (v)	, ; í
cheque/ chequebook	/
circulation	, ( )
clause	,
clearing bank	
coin	
collateral	, , ,
commercial bank	
commercial invoice/ paper	- ( ),
commission	, ,

commodities	( )
comparative cost principle	
compensate	,
compensation	/ , ,
	,
compliance	;
comply with	,
consolidated financial statement	/
consumption	
continuity	, ,
corporate governance	/
cost/ costs	/
direct costs	
indirect costs	
fixed costs	
cost accounting	/
cost center	,
cost of goods sold	
cost of sales	,
cost-plus pricing	«
	»,
cover costs	
credit / creditor	/ ,
credit to an account	
credit card	
credit rating	
credit standing	, ,
creditworthiness	/
	/
currency	,



currency speculation	,
current account balance	
current ratio	,
Customs and Excise	-
debit	,
direct debit	
debit an account	,
debit card	
debit advice	,
debt	,
debt instrument	/ ,
declare bankrupt	
default	,
deferred taxes	,
deficit	,
deficiency	,
cash deficiency	
working capital deficiency	
deflate	c
deflation	,
deflationary	,
demand	,
deposit / depositor	,
security deposit	
depository receipt	,
depreciate	,
depreciation	
accelerated depreciation	
accumulated depreciation	,
(principle)	
deteriorate/ deterioration	,
devalue	,
devaluation	

disburse	,
disbursement	, ,
discount	
discounted cash flow	(
	)
discount rate	/ ,
divestiture	,
dividend	
dividend cover	,
documentary credit	
downturn	,
due diligence	,
	,
dump	,
	,
dumping	
earnings	,
earnings per share	
e-banking	
EBIT/EBITDA	, ,
(Earnings before Interest, Taxation, Depreciation & Amortisation)	
electronic purse	,
endow	, ,
	,
endowment	, ,
equity market	,
equity capital	
European Central Bank (ECB)	( )

exchange market	/
exchange rate	
exchange rate adjustment	,
excise duty / tax	, ,
expenditure`	
expense/expenses	/ ,
face value/par value	/ ,
finance	, , ;
	,
financial intermediary	- ,
financial institution	,
financial planning	
financial results	
financial restructuring	
financial stability	/
financial year	/
fiscal policy	
fixed/ (freely) floating	/ ( )
exchange rate	
fixed interest payment	/
float (a currency)	; ;
flotation	,
fluctuate	,
forward contract	,
friendly bid / takeover	/
	,
full capacity	
fund	, , ,
fund manager	,
funds	,

funds flow statement	,
futures, futures contract	,
gearing	
gilts	(
	)
go into liquidation	,
goodwill	,
go public	,
gold convertibility	
grant a loan / credit	/
gross	,
gross profit	,
gross profit margin	,
handle speculation	/
hedge against	í ,
hedge fund	í ,
hedging	,
highly-leveraged	,
hire purchase (HP)	,
hit bottom	,
hostile bid / takeover	/
household spending	,
International Monetary Fund (IMF)	( )
intervene on the currency /	

foreign-exchange market	
impose	,
incentive	,
income tax	
incoterms	( )
individual/personal income tax	( )
inelastic	,
inflation accounting	,
initial public offering (IPO)	
insider dealing /trading	
insolvent	,
institutional investor	
insure against	
intangible / tangible assets	/
interest	,
interest-free	
interest rate	,
fixed interest rate	
floating interest rate	
interim	,
internal audit/auditor	/
internal rate of return (IRR)	
in the black / in the red	/ ( )
investment account	
investment bank	
investment company	
investment fund	
invisible/ visible export / import	/ /
invoice	,
irrevocable (credit)	( )
issue (currency, securities)	,

junk bond	( )
legal entity	
lend / lender	, /
lending rate	
letter of credit	
leverage	,
leveraged buyout (LBO)	,
levy	; 0 ,
liability	,
liabilities	
long-term liabilities	
liable for	í , í
LIBOR (London interbank offered rate)	( , )
limited liability	
liquid	,
liquidity	/ , ( )
listings	
listed company	, ,
loan	, ,
long-term loan	
short-term loan	
signature loan	
loss	( ), ,
lucrative	,
management buyout (MBO)	/
margin	, ,
market capitalization	
market value	/ ,

mark-up	, , ,
mark-up pricing	
mature	( , ),
maturity	; ,
maturity date	/
memorandum of association	, ,
merchant bank	
microfinance	
microfinance enterprise	
microfinance institutions (MFIs)	
minority stake	
monetary authorities	( - )
monetary growth	/
monetary policy	- , -
money laundering	, ,
money supply	« » , /
mortgage	, ,
mutual fund	, , ( )
net assets / present value	/
net book value / net income / net profit	/ ,
net present value (NPV)	,
net interest margin	
net realizable value	
net worth	( , ),
net present value (NPV)	/

nominal ledger			
nominal value		/	
non-current assets / non-current liabilities	,	/	/
odd-even pricing	«	»	,
		(\$99	\$100)
operating costs	,		
operating profit		,	
opportunity cost			,
	/	,	
option	,		( ),
	,	,	
ordinary share			
output	,	,	
outgoings	,		
overdraft/overdraft facility	,		/
overheads			
outperform			,
		,	
overdraw		(	),
owe	,		
own a security/ shares		/	
pay a dividend/interest		/	
payment service / payment service provider		/	-
pension fund			
percentage rate			
perk		,	,
personal loan			
personal income tax (PIT)			( )
place an order			



pool	;
portfolio	,
preference share/preferred stock	
premium	,
price/earnings ratio	,
price-sensitive (information)	(
price variations	)
private pension plan	
principal	,
profitability	,
profit and loss sharing	
profit target	,
	/
provisions	,
quota	,
quoted company	,
	/
raise capital/ funds	/
	/
remittance	,
	/
rate of return	,
	/
reach a low point	
reach a maximum/a peak	
rebate	
receipt / receipt amount	,
redeem	,
	/
redistribute income	

reflationary policy	
regular income	/
replacement cost	,
accounting	
replenish an account	
repurchase	,
repurchase agreement (repo)	,
	( )
reserve requirement	,
reserves	,
reserve-asset ratio	,
reserve requirement	,
retail bank	,
retained earnings/profit	
retaliate	,
	,
retrench	,
return on assets / equity	/
revenue	,
revenue recognition	
rights issue	,
risk assessment	,
risk-averse	,
risk capital	,
	,
roll over	,
sales revenue	,
settle	,
settlement day	/
share capital	
shareholders' equity	,
share premium	

sight deposit	/ / /
solvent	,
solvency	,
speculation / speculative	/
spot price	- , / ,
stag	,
standing order	( , )
start-up capital	
statement of total recognized gains and losses	
stock	/ , / ,
defensive stocks	
growth stocks	,
income stocks	
value stocks	
stockbroker / stockholder	/ ,
stock market index	/
strengthen to í	í ( )
subsidy	
sub-totals	(*- ),
surplus	,
sustainable/sustainability	, , /
swap	, , / -
syndicate	( , )

synergy / synergetic	( ) ,
systematic / unsystematic risk	/
tariff	,
taxation	,
tax avoidance	/
tax evasion	( ) /
tax burden / shelter	/ , ( )
tax shelter	, « »
tax haven	,
terms of payment	
time deposit	
time value of money (TVM)	,
tracker fund	- ,
trade balance /surplus	, /
transaction	, ,
transfer	, , ;
traveller's cheque	
treasury bill	( )
treasury bond / treasury note	/
treasury and cash management	,
trial balance	/ ,
turnover	( , ) ,

underwrite	,
underwriter	, ( ). /
unit trust	,
unsecured (loan)	, ( , )
upswing	, ,
upturn	,
value stock	/
value added tax (VAT)	( )
velocity (of circulation )	,
venture capital / capitalist	( ) / ,
verifiable	, « »
verifiable costs	,
volatile	, , ,
volatility	,
warrant	, /
withdraw	/ ,
withdrawal	( )
working capital	,
wrongdoing	,
WTO ó the World Trade Organisation	
yield	, , /
yield to maturity (YTM)	
zero-coupon bond	

## 1.2. EXERCISES

### Exercise 1. Fill in the gaps with appropriate forms of the words in brackets.

1. These changes, together with the (DEVALUE) \_\_\_\_\_ of the Jamaican dollar, have helped to lure western companies into joint ventures with local farmers.
2. The ministers still blame all the country's agricultural (DEFICIENT) \_\_\_\_\_ (s) on the government of Mr Manly, which is defeated in an election four years ago.
3. US News, which ranks third in news-magazine circulation behind Time (4,6m) and Newsweek (3m), is owned by employees, some 20 of whom are becoming (MILLION) \_\_\_\_\_ (s) through the sales.
4. In this example, real-term profit is the same as constant (PURCHASE) \_\_\_\_\_ power profit.
5. Good corporate (GOVERN) \_\_\_\_\_ is vital to effective financial and risk management.
6. The bank may impose a substantial administration fee for each (DEPOSIT) \_\_\_\_\_ receipt holder, reducing any potential gain from the receipt.
7. When a company is too much in debt to recover via recovery procedures like administration, financing, or a company voluntary arrangement (CVA), it may be time to accept that (LIQUID)\_\_\_\_\_ is the only course of action.
8. Most examples of limited (LIABLE) \_\_\_\_\_ partnerships in the US include partnerships among physicians, attorneys, accountants, architects, licensed financial advisers, veterinarians and undertakers.

### Exercise 2. Form abstract nouns from the words given:

Account, allocate, capital, compensate, comply, speculate, deficient, depreciate, institute, liquid, invest, profitable, vary, assess, solvent, withdraw, evade, volatile, circulate, continue.

### Exercise 3. Fill in the gaps with forms of the words in brackets.

A checking account is one of the most essential bank accounts for managing your finances and (deposit) \_\_\_\_ (1) your paychecks. It's the banking product people use most for daily (action) \_\_\_\_\_s (2), including checks and debit cards. The best checking accounts reward account (hold) \_\_\_\_\_s (3) with value-added (opt) \_\_\_\_\_s (4) and free, no-fee access to their finances.

Many checking accounts offer a great deal of (flexible) \_\_\_\_\_ (5) and freedom. Several credit unions and banks charge low or no fees, often with no or low minimum balance (require) \_\_\_\_\_s (6). One of the biggest benefits of choosing the right checking account is when the account comes with a built-in, high-yield checking APR that pays dividends simply for having money in the bank. Financial (institute) \_\_\_\_\_s (7) offer a variety of checking options for everyone, including businesses, families, and individuals, and they offer plenty of (save) \_\_\_\_\_s (8) incentives to boot. (<https://www.gobankingrates.com/checking-accounts> )

**Exercise 4. Fill in the gaps with forms of the words in brackets. Use prefixes and suffixes where necessary.**

Solvency Vs. Liquidity. While solvency represents a company's (ABLE) \_\_\_\_\_ (1) to meet long-term (OBLIGE) \_\_\_\_\_s (2), liquidity represents a company's ability to meet its short-term obligations. In order for funds to be considered liquid, they must be either immediately (ACCESS) \_\_\_\_\_ (3) or easily converted into usable funds. Cash is considered the most liquid payment vehicle. A company that lacks (LIQUID) \_\_\_\_\_ (4) can be forced to enter (BANKRUPT) \_\_\_\_\_ (5) even if it is solvent if it cannot convert its assets into funds that can be used to meet (FINANCE) \_\_\_\_\_ (6) obligations.

Solvency Capital Requirement. A solvency capital requirement is the amount of funds that (INSURE) \_\_\_\_\_ (7) and reinsurance undertakings are required to hold in the European Union. Solvency capital requirement is a formula-based figure calibrated to ensure that all (QUANTIFY) \_\_\_\_\_ (8) risks are taken into account, including non-life (WRITE) \_\_\_\_\_ (9), life underwriting, health underwriting, market, credit, (OPERATE) \_\_\_\_\_ (10) and counterparty risks.

(<http://www.investopedia.com/terms/>)

**Exercise 5. Match the words to form professional collocations. Translate them.**

- |               |            |
|---------------|------------|
| 1. preference | a) share   |
| 2. stock      | b) tax     |
| 3. interest   | c) cycle   |
| 4. business   | d) fund    |
| 5. investment | e) supply  |
| 6. income     | f) account |

- |             |            |
|-------------|------------|
| 7. deposit  | g) card    |
| 8. start-up | h) rate    |
| 9. money    | i) capital |
| 10.credit   | j) index   |

**Exercise 6. Match the words from both columns to form idioms. Give Russian definitions.**

- |              |             |
|--------------|-------------|
| 1. face      | a) point    |
| 2. blue      | b) line     |
| 3. bull      | c) price    |
| 4. spot      | d) market   |
| 5. angel     | e) investor |
| 6. bottom    | f) bond     |
| 7. junk      | g) chip     |
| 8. tax       | h) fund     |
| 9. breakeven | i) heaven   |
| 10.tracker   | j) value    |

**Exercise 7. Match adjectives and nouns to form collocations.**

- |              |                |
|--------------|----------------|
| 1. tangible  | a) account     |
| 2. working   | b) institution |
| 3. current   | c) diligence   |
| 4. fiscal    | d) bank        |
| 5. due       | e) order       |
| 6. clearing  | f) takeover    |
| 7. friendly  | g) policy      |
| 8. standing  | h) assets      |
| 9. financial | i) fund        |
| 10.mutual    | j) capital     |

**Exercise 8. Match adjectives and nouns to form set collocations.**

- |             |               |
|-------------|---------------|
| 1. hostile  | a) ratio      |
| 2. legal    | b) governance |
| 3. tax      | c) audit      |
| 4. floating | d) costs      |



- |                |            |
|----------------|------------|
| 5. current     | e) evasion |
| 6. listed      | f) company |
| 7. commercial  | g) rate    |
| 8. corporate   | h) invoice |
| 9. internal    | i) bid     |
| 10. additional | j) entity  |

**Exercise 9. Match the words to form financial terms. Give Russian translations and definitions in English.**

- |             |             |
|-------------|-------------|
| 1. cash     | a) bill     |
| 2. treasury | b) target   |
| 3. unit     | c) burden   |
| 4. tax      | d) capital  |
| 5. retail   | e) bank     |
| 6. profit   | f) sheet    |
| 7. futures  | g) trust    |
| 8. equity   | h) fund     |
| 9. balance  | i) flow     |
| 10. tracker | j) contract |

**Exercise 10. Match the verbs and nouns to form set phrases.**

- |                 |               |
|-----------------|---------------|
| 1. to grant     | a) assets     |
| 2. to raise     | b) securities |
| 3. to issue     | c) an account |
| 4. to allocate  | d) a fee      |
| 5. to impose    | e) a loan     |
| 6. to replenish | f) funds      |
| 7. to charge    | g) a tax      |

**Exercise 11. Match the verbs and nouns to form set phrases.**

- |                  |              |
|------------------|--------------|
| 1. to place      | a) bottom    |
| 2. to hit        | b) a company |
| 3. to withdraw   | c) resources |
| 4. to avoid      | d) taxes     |
| 5. to cover      | e) costs     |
| 6. to list       | f) cash      |
| 7. to accumulate | g) an order  |

**Exercise 12. Match the words and translations.**

- |                 |    |   |
|-----------------|----|---|
| 1. divestiture  | a) |   |
| 2. maturity     | b) |   |
| 3. disbursement | c) | , |
| 4. leverage     | d) |   |
| 5. gearing      | e) |   |
| 6. remittance   | f) |   |
| 7. velocity     | g) |   |
| 8. collateral   | h) |   |
| 9. flotation    | i) |   |
| 10. hedging     | j) |   |

**Exercise 13. Match the words and translations.**

- |               |    |     |
|---------------|----|-----|
| 1. levy       | a) | ,   |
| 2. mortgage   | b) |     |
| 3. overdraft  | c) |     |
| 4. settlement | d) |     |
| 5. continuity | e) |     |
| 6. default    | f) | , - |
| 7. endowment  | g) |     |
| 8. equity     | h) | ,   |
| 9. ledger     | i) |     |
| 10. redeem    | j) | ,   |

**Exercise 14. Match the acronyms and their Russian translations.**

- |           |    |     |
|-----------|----|-----|
| 1. WTO    | a) |     |
| 2. TVM    | b) |     |
| 3. ABC    | c) |     |
| 4. CFS    | d) | ,   |
| 5. EBITDA | e) |     |
| 6. IMF    | f) |     |
| 7. IPO    | g) | , , |
| 8. NPV    |    |     |

9. MBO h)  
 10.VAT i)  
 j) -

**Exercise 15. Match the verbs and translations.**

- |               |    |   |
|---------------|----|---|
| 1. disburse   | a) | , |
| 2. levy       | b) | , |
| 3. mature     | c) | , |
| 4. overdraw   | d) | , |
| 5. repurchase | e) | , |
| 6. underwrite | f) |   |
| 7. accrue     | g) | , |
| 8. endow      | h) | , |
| 9. dump       | i) |   |
| 10.impose     | j) | , |

**Exercise 16. Which ten words for 'money' can you use in place of the words in *italics*.**

1. The yen is the *type of money used* in Japan.
2. Could you give me *money in notes and coins* for this cheque?
3. How much is next year's agricultural *estimated expenditure and income*?
4. We got the necessary *money for this particular purpose*.
5. The company is starting a pension *stock of money*.
6. How much is the *money needed to start the company*?
7. The farmers received milk *money from the government to help them sell cheaply without making a loss*.
8. We had a £5,000 *borrowed money* from the bank to buy new equipment.
9. The country has not got enough *money to pay other countries* for its imports.
10. The industrial nations give *help in the form of money* to the emerging economies.

Words with the meaning 'money' finance, reserves, capital, loan, fund, aid, subsidies, currency, budget, cash.

**Exercise 17. Match the words with their definitions.**

- |                 |   |
|-----------------|---|
| 1. remittance   | a) funds an expatriate sends to their country of origin   |
| 2. flotation    | b) date at which something must be paid or repaid   |
| 3. divestiture  | c) process of changing a private company into a public one  |
| 4. depreciation | by issuing shares and soliciting the public to buy them   |
| 5. leverage     | d) ability of a company to meet its long-term financial obligations                                   |
| 6. disbursement | e) disposal of a business or sale of assets by a company in case of a company's closure or bankruptcy |
| 7. maturity     | f) speed with which assets can be turned into money   |
| 8. liability    | g) act of paying out money, in order to run a business, cash expenditures, dividend payments          |
| 9. solvency     | h) an accounting method of allocating the cost of a tangible asset over its useful life               |
| 10.liquidity    | i) amount of debt used to finance a firm's assets   |
|                 | j) a company's financial debt or obligations that arise during the course of its business operations  |

**Exercise 18. Match the words with appropriate definitions or interpretations.**

- |               |  |
|---------------|--|
| 1. return     | a) a tax imposed on imported goods and services  |
| 2. income     | b) difference between the higher price paid for a fixed-income security and the security's face amount                         |
| 3. premium    | c) money that an individual/business receives in exchange for providing a good/a service or through investing capital          |
| 4. tariff     | d) an act of removing funds from a bank account, savings plan, pension or trust  |
| 5. incentive  | e) the income / the capital gains on an investment, usually quoted as a percentage   |
| 6. withdrawal | f) a trade restriction limiting the number of goods that can be imported or exported during a particular period                |
| 7. revenue    | g) a service charge assessed by a broker in return for providing investment advice or handling the purchase/sale of a security |
| 8. commission | h) amount of money that a company receives during a specific   |
| 9. yield      |  |
| 10.quota      |  |

period from which costs are subtracted to determine net income

- i) a payment or a reduction in the amount of money that has to be paid that encourages better productivity
- j) return on an investment, such as the interest or dividends received from holding a particular security

**Exercise 19. Match the words from the left column with their definitions from the right column.**

- |                |   |
|----------------|---|
| 1. expenditure | a) a property or other asset that a borrower offers as a way for a lender to secure the loan, in the event of default   |
| 2. synergy     |   |
| 3. underwriter | b) a loan to finance the purchase of real estate, usually with specified payment periods and interest rates   |
| 4. stag        |   |
| 5. collateral  | c) money spent to procure an asset; a payment or incurrence of a liability by an entity, in exchange for goods or services                                    |
| 6. bottom line |   |
| 7. mortgage    | d) an investment bank acting as an intermediary between the issuing company and the investors who purchase the company's debt instruments and/or stock at IPO |
| 8. net worth   |   |
| 9. equity      | e) gross sales minus taxes, interest, depreciation, and other expenses; net income after tax  |
| 10. velocity   | f) short-term speculator who buys shares hoping to resell them immediately, in order to make a profit   |
|                | g) ownership interest in a company in the form of common or preferred stock   |
|                | h) arrangements which are mutually beneficial to the parties involved   |
|                | i) the rate at which money is exchanged from one transaction to another, turnover of the money supply   |
|                | j) sum of the issued share capital, retained earnings, and capital gains; total assets minus total liabilities  |

**Exercise 20. Fill in the gaps with the word from the box.**

credit	lender	available	default	owes
collateral	value	payments	equity	loan

## Types of Secured Loans

A number of loans fall into the category of secured loans. The most common secured loans include:

ÉCar loans: Auto loans are considered secured debt because the car can be taken as collateral if payments go into (1)\_\_\_\_\_. This applies for a new car loan, used auto loan and RV loans.

ÉSecured credit card: Most (2) \_\_\_\_\_ cards are considered unsecured debts, but for those who have lower credit scores, secured credit cards are (3) \_\_\_\_\_. A cash deposit is used as (4) \_\_\_\_\_ for a secured credit card, which can help build or reestablish a borrower's credit score.

ÉMortgage: A mortgage is considered a secured (5)\_\_\_\_\_ because the home is considered the (6) \_\_\_\_\_ or bank's property if the owner defaults on (7) \_\_\_\_\_ .

ÉHome equity line of credit: Homeowners can take a home (8) \_\_\_\_\_ line of credit out on their homes. These secured loans are based on the amount of home equity, which is calculated by taking the current market (9) \_\_\_\_\_ of the home minus the amount the homeowner still (10)\_\_\_\_\_.

(<https://www.gobankingrates.com/personal-finance/secured-loan/> )

### Exercise 21. Fill in the gaps with suitable words from the box.

barriers	duty	retaliates	customs	imposes
	protectionism	tariff	domestic	levy
quotas	tax	dumping	license	restrictions

The production cost per typewriter in country A is \$20 and in country B \$30. Country A exports typewriters to country B and could sell them at a lower price than country B's. However, country B protects its manufacturers by limiting the number of imported typewriters. They do this by imposing import (1) \_\_\_\_ (limited numbers). Also, everyone who imports typewriters from country A must have an import (2) \_\_\_\_ . In addition, country B (3) \_\_\_\_\_ an import (4) \_\_\_\_\_ (also called a (5) \_\_\_\_\_, (6) \_\_\_\_\_ or (7) \_\_\_\_\_ to make its own typewriters more competitive. All tariffs are collected by the (8) \_\_\_\_\_ at the frontier (border) between the two countries.

However, country A and country B both grow and export wheat. Country B produces a lot more wheat than it needs, so it sells wheat in country A at a lower price than it sells it on its (9) \_\_\_\_\_ market. This is called (10) \_\_\_\_\_ country A (11) \_\_\_\_\_ by imposing (12) \_\_\_\_\_ (e.g. quotas and levies) on country B's wheat. Protecting your country's manufacturers by imposing trade restrictions is called (13) \_\_\_\_\_ .

Now country A and country B are negotiating a trade pact to remove all the trade (14) \_\_\_\_\_ between the two countries. They will write their agreement in a treaty.

**Exercise 22. Complete the gaps in the text with the words from the box.**

bonus issue	face value	gearing	loan capital
capitalization issue	issue	market value	share
nominal value	dividend	rights issue	share capital
equity capital	Stock Exchange	shareholder	

A company's (1) \_\_\_\_\_ (or share capital) is divided into (2) \_\_\_\_\_ which have an equal (3) \_\_\_\_\_ (or face or par value). Part of the company's profit is then paid to shareholders as a (4) \_\_\_\_\_ according to the number of shares they own. If shareholders sell their shares, the buyer may pay more or less than the (5) \_\_\_\_\_ (according to whether the company is doing well or badly). This price (the price quoted on the Stock Exchange) is called the share's (6) \_\_\_\_\_ .

If the company needs to raise more capital for expansion, it might (7) \_\_\_\_\_ new shares. Often it gives existing (8) \_\_\_\_\_ the right to buy these shares at a lower price than at the (9) \_\_\_\_\_; this is called a (10) \_\_\_\_\_ . If the company capitalizes some of its profit (turns some of its profit into capital) and issues new shares at no cost to existing shareholders instead of (or as well as) a dividend, this is called a (11) \_\_\_\_\_ (or (12) \_\_\_\_\_ ).

The ratio of a company's loan capital to its (13) \_\_\_\_\_ is known as its (14) \_\_\_\_\_. A company which has a high proportion of (15) \_\_\_\_\_ is highly geared. Which are more stable – companies with a high gearing or companies with a low gearing?

**Exercise 23. Decide which word from the box goes in which gap in this passage.**

occur	income	reduction	institutions	promote
facilities	access		introduced	diversifying
unserved				

There are many types of microfinance (1)\_\_\_\_\_ depending on structure, function or philosophy. The microfinance market is segmented according to the clients involved i.e. micro-enterprises, women, agriculturalists and so on. A main goal of many micro-finance institutions is to provide sustainable micro finance (2)\_\_\_\_\_ to the poor to facilitate (3)\_\_\_\_\_ generation and reduce poverty (Baumann, 2001). The genesis of this is that the poor lack (4)\_\_\_\_\_ to financial services, credit and savings facilities.

The goal of microfinance institutions as development organizations is also to service the financial needs of (5)\_\_\_\_\_ markets as means of meeting development objectives (Ledgerwood, 1999). The development objectives generally include (6)\_\_\_\_\_ of poverty, empowerment of the poor and other disadvantaged groups, employment creation, development of new businesses and helping existing businesses to grow by (7)\_\_\_\_\_ their activities.

The microfinance revolution was (8)\_\_\_\_\_ into the development economics arena slightly more than two decades ago. However, the widespread adoption of the microfinance model did not (9)\_\_\_\_\_ until the early 1990s. Since the mid 1990s, microfinance programmes and institutions have become an increasingly important component of strategies to (10)\_\_\_\_\_ micro-enterprise development in developing countries and specifically to reduce poverty (Colin, 2006).

<https://www.ukessays.com/essays/finance/microfinance-institutions.php?utm>

**Exercise 24. Complete the sentences with one suitable word.**

- In the USA accounts must be \_\_\_\_\_ within five days.  
a) sent    b) settled    c) described    d) risen
- On the Stock Market brokers approach jobbers and say the name of the \_\_\_\_\_ they are interested in.  
a) papers    b) sales    c) securities    d) prices
- Some speculators agree to buy securities thinking that their price will rise so that they can resell them for a profit before settlement day. These people are known as \_\_\_\_\_ .  
a) bulls    b) deer    c) cows    d) elephants



4. A new hypermarket company will pay the interest on loans the staff take out to buy shares and the premiums on life-assurance policies to cover the \_\_\_\_\_ amount.
- a) sales    b) issue    c) lifetime    d) loan
5. Foreign buyers scrambled to buy dollars to buy high-yielding government \_\_\_\_\_ and many economists feel the dollar is 25% over-valued.
- a) bonds    b) shares    c) papers    d) obligations
6. If sugar-producing countries could agree to \_\_\_\_\_ a 25% export tax, the increase in \_\_\_\_\_ revenue is calculated to be around 23% for coca producers.
- a) increase, import    b) gain, export    c) impose, export    d) apply, exporting
7. Commodity prices will probably fall because the influence of expectations makes the prices very \_\_\_\_\_ .
- a) reluctant    b) volatile    c) stable    d) clumsy
8. We cannot \_\_\_\_\_ our increased costs unless we put up our prices.
- a) fill    b) cover    c) supply    d) inflate
9. OPEC countries will fight over their individual oil \_\_\_\_\_ and then if the glut reappears they will have to cut production again.
- a) quotas    b) ceilings    c) quotations    d) questions
10. The new request for cash comes in the wake of a new agreement with the IMF under which Brazil undertakes to slash \_\_\_\_\_ , cut public spending, increase exports and curb imports.
- a) pensioners    b) negotiations    c) population    d) inflation

**Exercise 25. Fill in the gaps in the sentences with one of the options given.**

1. The current ratio measures a firm's ability to pay off its short-term liabilities with its current \_\_\_\_\_ .
- a) activities    b) actions    c) debts    d) assets
2. A company's \_\_\_\_\_ value might be higher or lower than its market value.
- a) book    b) table    c) dictionary    d) nominal
3. Money is graded according to its \_\_\_\_\_ - notes and coins being completely liquid, whereas some bank deposits become spendable only after notice to withdraw them has expired.
- a) profitability    b) demand    c) amount    d) liquidity

4. With the Interim Certificate you receive a reminder from the Government about payment of the second \_\_\_\_\_ of the share purchase price (30p per share), which is \_\_\_\_\_ by 30 May.
- a) part, mature      b) installment, given      c) installment, due      d) share, paid
5. These types of letters of \_\_\_\_\_ are concerned with providing safeguards to buyers that suppliers will meet their obligations, and are issued by the supplier's or customer's bank depending on which party seeks the guarantee.
- a) trust      b) guarantee      c) proof      d) warranty
6. The International Monetary Fund was set up after the 2<sup>nd</sup> world war to lend finance for 3 to 5 years to tide countries over in \_\_\_\_\_ difficulty.
- a) balance of payments      c) letter of credit  
b) balance of sheet      d) capitalization
7. The summit called on the World Bank to make more funds available for structural readjustment and recommended longer \_\_\_\_\_ periods and rescheduling of short-term debts by banks.
- a) repackaged      b) repayment      c) installment      d) improvement
8. In April there was a record monthly trade surplus of \$545m, so in May the IMF stopped further \_\_\_\_\_ of its loan as Greece has failed to meet its targets.
- a) disbursements      b) distributions      c) promotions      d) payments
9. If there hadn't been excessive speculation in palm oil encouraged by the steep rise in prices of vegetable oils worldwide, trading in \_\_\_\_\_ at the commodity exchange in Malaysia wouldn't have been suspended.
- a) shares      b) papers      c) option      d) futures
10. With a fixed interest rate student loan, you will always know the total monthly interest \_\_\_\_\_ you will make over the life of the loan.
- a) fee      b) bonus      c) payment      d) investment

**Exercise 26. Match the beginnings and endings to form logical sentences.**

1. The IMF wants to impose conditions	a) been lending Brazil short-term money.
2. The bankers in Geneva have	b) of funding for micro enterprises in Africa and in other developing regions.
3. The IMF won't give Greece \$300m until	c) on countries which want to reschedule.
4. If one of these countries stopped importing,	d) should not give Greece any more money.

5. Microfinance institutions (MFIs) have become the main source	e) to help countries with balance of payments difficulties.
6. The PM thinks that the ECB	f) it would damage the western economy.
7. This institution lends money for 3 to 5 years	g) Greece tries to solve its problems.
8. The IMF mainly lends	h) money for specific projects.

**Exercise 27. Read the article and give a brief summary. Translate the article into Russian. Give definitions to the words in bold.**

Two different loan types are available for borrowers to apply for to borrow money: a secured loan and an unsecured loan. Student loans, credit card purchases and personal loans fall under the umbrella of unsecured loans. But what is a secured loan?

A secured loan is a loan that has **collateral** attached to it. If you miss a payment or go into default, the **creditor** can take your personal **assets** — usually what you purchased with the loan — as payment. For example, a person might have his home foreclosed or his vehicles impounded due to a series of missed payments.

**How Secured Loans Work**

A secured personal loan usually comes with a lower **interest rate** than what you'd find with an unsecured loan. Secured loans have lower interest rates because lenders consider secured loans to be lower-risk because personal property is attached as payment protection. Secured debt also comes with longer lending terms and higher borrowing limits.

The eligibility requirements for a secured loan vary by the type of loan you're trying to obtain. For example, applying for a secured credit card will require fewer prerequisites than applying for a 30-year home mortgage. For personal loans, **lenders** usually require putting down collateral such as a **savings account**, CD or home equity.

Along with establishing your security — that is, what you are putting down to secure your loan — in many cases, lenders will check your credit score, proof of income and **employment history**. For most secured debt, your credit score will determine your interest rate.

The **default** process varies by state and lender, but generally, 150 days of nonpayment puts your loan into default. Defaulting on your secured loan allows the creditor legal right to repossess or foreclose your property. The lender can also have your personal assets sold to satisfy the debt. The lender doesn't need the permission of a judge to take over your property.

### Secured Loans Are Less Expensive

When deciding between a secured versus unsecured loan, think about the type of debt you want to take on, as well as the pros and cons of each kind of loan. Secured loans are easier to qualify for and can come with better interest rates, whereas unsecured loans don't require a **security deposit** of personal assets. For example, a vehicle can be purchased with a secured debt, such as a used car loan, or with unsecured debt, such as a **signature loan**. However, it's easier and less expensive to purchase a vehicle with secured loans than with unsecured loans that come with higher interest rates.

<https://www.gobankingrates.com/personal-finance/secured-loan/>

**Exercise 28. Read the article and fill in the gaps with the suitable words matching them to the definitions in brackets.**

ledger	statements	default	accounting period
cash receipt	transactions	wages payment	invoice

### What is the Accounting Cycle?

The accounting cycle is a series of activities used to identify and record an entity's individual transactions. These (1) \_\_\_\_\_ (transfers of funds, recorded as events in the book of accounts) are then aggregated at the end of each reporting period into financial (2) \_\_\_\_\_ (written presentations of data). The accounting cycle is essentially the core recordation activity that an accounting department engages in on an ongoing basis, and is the basis upon which the financial statements are constructed. Most accounting controls and procedures relate to the accounting cycle.

The accounting cycle is broken into the treatment of individual transactions, and then closing the books at the end of the (3) \_\_\_\_\_ \_\_\_\_\_ (an appropriate amount of time to file financial statements).

The accounting cycle for individual transactions is to:

1. Identify the event that is causing an accounting transaction. Examples of such events are: buying materials, (4) \_\_\_\_\_ (reward paid for the service of a unit of labor, per unit time) to employees, selling goods to customers, receiving payment from customers, etc.
2. Prepare the business document associated with the accounting transaction, such as a supplier invoice, customer invoice, petty cash voucher, or (5) \_\_\_\_\_ (a printed document logged by a business each time cash is received for a good or service).
3. Identify which accounts are affected by the business document. With a computerized accounting system, there is usually a default account associated with each supplier, so that the system assigns the amount listed on a supplier invoice to the default account (unless you override it). Similarly, there is usually a (6) \_\_\_\_\_ (failing to make required debt payments on time) account associated with each customer, so that the system assigns billed amounts to a specific revenue account whenever an (7) \_\_\_\_\_ (a bill issued by a one who has provided products and/or services to a customer) is created for a customer. There may also be standardized template journal entries in the accounting software for various standard transactions, such as for recording monthly depreciation or accrued wages.
4. Record in the appropriate accounts in the accounting database the amounts noted on the business document. This may involve recording transactions in a specific journal, such as the cash receipts journal, cash disbursements journal, or sales journal, which are later posted to the general (8) \_\_\_\_\_ (a book of final entry summarizing all of a company's financial transactions). Such transactions may also be posted directly to the general ledger.

<http://www.accountingtools.com/accounting-cycle> , <http://www.investorwords.com>

**Exercise 29. Read the texts and give summaries. Comment on the meaning of the italicized words. Translate the texts into Russian.**

### **1. What Is a Hedge Fund?**

Like other types of fund investment, hedge funds pool investors' money and then invest that money in various ways in order to create positive returns. But compared

with other investment types, hedge funds are known for having much more flexibility in the methods and types of investments they choose. For instance, hedge funds often use a variety of methods, such as leverage, short-selling and other *speculative strategies* that introduce *portfolio* risk and are not common among other, more *risk-averse* types of funds. Hedge funds also look to make money in all types of markets. Also, hedge funds have less regulation than many other investment funds, such as mutual funds. For this reason, many investors feel that hedge funds are a high-risk investment vehicle and not for them. Others, who want to *maximize returns* and are not concerned by risk, embrace this *lack of regulation*.

### How Do Hedge Funds Work?

Hedge funds *pool* your money with other investors and sometimes borrowed money if the fund is practicing a strategy of *leveraging* to make investments. Hedge funds have a hedge fund manager, who is responsible for the investment strategy of the fund. It's important to research the background and experience of the hedge fund manager. If the manager is registered with the Securities and Exchange Commission, you can find information on him at the SEC's Investment Advisor Public Disclosure website.

Generally, you'll need to be wealthy and an accredited investor to invest in a hedge fund. This means that you, or your company, must be registered with the SEC. So, to invest in a hedge fund, you'll need a minimum *net worth* of \$1 million or a minimum income of \$200,000 for the past two years before investing and an expectation of earning at least that in the year you invest in the hedge fund. If you earn money from a hedge fund, you'll pay *capital gains tax*, if the investment was held more than a year.

Although hedge funds with \$150 million or more must register with the SEC, they are not held to the same strict regulations of other types of funds, such as mutual funds. Importantly, hedge funds do have to adhere to the *anti-fraud provisions* of the Securities Act of 1933. Larger hedge funds, with more than 499 investors, must also comply with SEC anti-fraud provisions.

<https://www.gobankingrates.com/investing/what-hedge-funds/>

## 2. Venture Capital Fills a Void

Contrary to popular perception, venture capital plays only a minor role in funding basic innovation. *Venture capitalists* invested more than \$10 billion in 1997, but only 6%, or \$600 million, went to startups. Moreover, we estimate that less than \$1 billion of the total venture-capital pool went to R&D. The majority of that capital went to follow on funding for projects originally developed through the far greater *expenditures* of governments (\$63 billion) and corporations (\$133 billion).

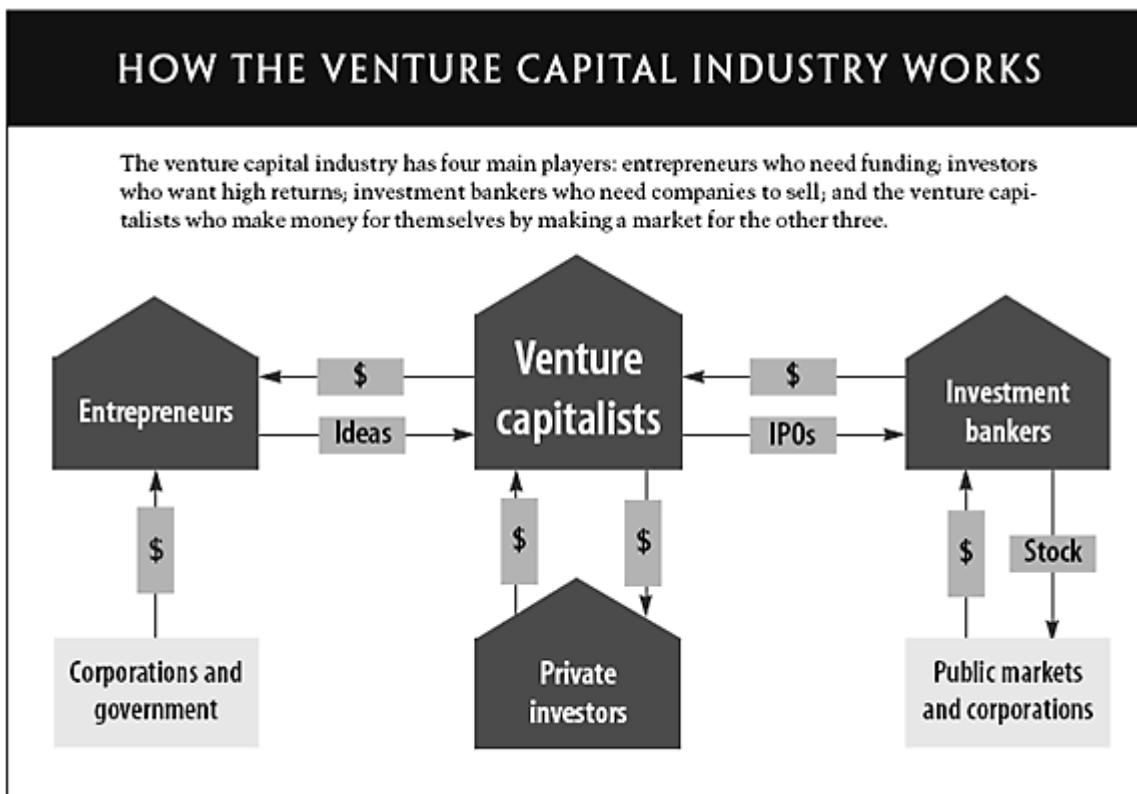
Where venture money plays an important role is in the next stage of the innovation life cycle — the period in a company's life when it begins to *commercialize* its innovation. We estimate that more than 80% of the money invested by venture capitalists goes into building the infrastructure required to grow the business — in expense investments (manufacturing, marketing, and sales) and *the balance sheet* (providing fixed assets and working capital).

Venture money is not long-term money. The idea is to invest in a company's balance sheet and infrastructure until it reaches a sufficient size and *credibility* so that it can be sold to a corporation or so that the institutional public-equity markets can step in and provide liquidity. In essence, the venture capitalist buys a stake in an entrepreneur's idea, nurtures it for a short period of time, and then exits with the help of an investment banker.

Venture capital's niche exists because of the structure and rules of capital markets. Someone with an idea or a new technology often has no other institution to turn to. Usury laws limit the interest banks can charge on loans — and the risks inherent in *start-ups* usually justify higher rates than allowed by law. Thus bankers will only finance a new business to the extent that there are hard assets against which to secure the debt. And in today's information-based economy, many start-ups have few hard assets.

Furthermore, investment banks and public equity are both constrained by regulations and operating practices meant to protect the *public investor*. Historically, a company could not access the public market without sales of about \$15 million, assets of \$10 million, and a reasonable profit history. To put this in perspective, less than 2% of the more than 5 million corporations in the United States have more than \$10 million in revenues. Although the IPO threshold has been lowered recently through the *issuance* of development-stage company stocks, in general the financing window for companies with less than \$10 million in revenue remains closed to the entrepreneur.

Venture capital fills the void between sources of funds for innovation (chiefly corporations, government bodies, and the entrepreneur's friends and family) and traditional, lower-cost sources of capital available to ongoing concerns. Filling that void successfully requires the venture capital industry to provide a sufficient return on capital to attract private equity funds, attractive returns for its own participants, and sufficient upside potential to entrepreneurs to attract high-quality ideas that will generate high returns. Put simply, the *challenge* is to earn a consistently superior return on investments *in inherently risky business ventures*.



How the Venture Capital Industry Works: The venture capital industry has four main players: entrepreneurs who need funding; investors who want high returns; investment bankers who need companies to sell; and the venture capitalists who make money for themselves by making a market for the other three.

<https://hbr.org/1998/11/how-venture-capital-works>

### 3.

The Pure Storage IPO, in October 2015, was the culmination of a long process. The company was six years old and had completed six rounds of *private funding*. Pure



had nearly 1,200 employees, and its annualized revenue was nearly \$500 million. We'd waited longer and grown larger than many start-ups do before going public. By the time we finally listed on the New York Stock Exchange, the IPO market had cooled.

A couple of things were driving us to go public, however. For one, our customers encouraged us; many of them prefer to do business with a *publicly* traded company. They want to be able to see your financials and to understand how your business is doing. They know that public companies are subjected to a higher level of scrutiny. It gives them a sense of security and trust.

The precedents set by Google and Facebook changed the conventional wisdom.

After I arrived at Pure, we did two more venture rounds and then two rounds of private funding led by Fidelity and T. Rowe Price, *mutual fund companies* that ordinarily invest in public companies. This form of financing is relatively new and is the result of Facebook and other companies delaying their IPOs. Mutual fund portfolio managers missed some of the growth of such companies because they couldn't invest before the IPO, so they've started making *private placements*. That's advantageous for everyone. The funds get in on a period of higher growth, and they also get intelligence on what's happening in an industry. We were able to build a relationship with important public-market investors; not only were they great sources of advice in the time leading up to our IPO, but we expected that they would remain big investors afterward. This new source of investment allows companies like ours to stay private longer.

We had to get ready to go public. The first step was to expand the board. We had strong directors, including our VCs, but we needed to add people with operating experience at large companies. In particular, we wanted someone with finance experience at a publicly traded company to chair our audit committee; we brought in Mark Garrett, the CFO at Adobe Systems, to fill the role. We needed a relationship with an investment bank, and we were fortunate to be working with Allen & Company, which handled our fifth and sixth private rounds. We created a two-class structure for our stock, to help the founders and the management team maintain control if a hostile buyer tried to acquire us. Finally, we needed the right *chief financial officer*. In 2014 we hired Tim Riitters, a former Google finance exec, who helped us put in new systems to give us the better visibility into our financial performance that we'd need to operate in the public markets.

By early 2015 it was clear that we had all the pieces in place. During our last private round, in 2014, the business had been valued at more than \$3 billion. I couldn't see any advantage to doing another private round, so we began planning for the IPO. But a key consideration is that once you start the process, you can become vulnerable. When you file an S-1 with the SEC disclosing your IPO plans, you enter a "quiet period," with strict limits on what you may say publicly. If you're in a *competitive* space, as we are, you run the risk that competitors will spread "fear, uncertainty, and doubt" at a time when you can't easily respond. Our business is a frontal assault on established storage companies such as EMC and HP (now Hewlett Packard Enterprise). But as it turned out, our timing was fortunate: In the months surrounding our IPO, Dell agreed to buy EMC, and HP announced its plan to split into two companies, which meant that key competitors were distracted by internal events.

We went public at a share price of \$17 and an overall valuation of just over \$3 billion. Since then our stock price *has fluctuated* – a reflection of the turbulent market rather than any negative surprises at Pure. We're still reporting losses, but we've been able to make the case to investors that when you look at our growth rate, improving margins, and increasing *operating efficiency*, you see that this is a very healthy business. Pure is one of the fastest-growing enterprise technology companies the world has ever seen. We have to invest to maintain that – which is one reason that doing our IPO when we did made sense.

<https://hbr.org/2016/06/pure-storages-ceo-on-choosing-the-right-time-for-an-ipo>

### **Exercise 30. Translate the texts into Russian.**

#### **1. Microfinance**

Microfinance is often defined as financial services for poor and low-income clients offered by different types of service providers. The term is often used more narrowly to refer to loans and other services from providers that identify themselves as "microfinance Finance". These institutions commonly tend to use new methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly. From a global perspective, microfinance organizations envision a world in which low-income households have permanent access to a range of high quality and affordable financial

services offered by a range of retail providers to finance income-producing activities, build assets, stabilize consumption, and protect against risks.

CIBIL collects and maintains records of an individual's payment pertaining to loans and credit. These records are submitted to CIBIL by Customer and other lenders, on a monthly basis. This information is then used to create Credit Information Reports and credit scores which are provided to lenders in order to help evaluation and approve loan applications.

Online or Offline Due Payment Report Processing Software Developers market research report is a comprehensive guide to market size and growth prospects. Our industry reports offer strategic industry analysis of the factors influencing companies, including new product developments, economic, lifestyle and demographic influences, distribution and supply chain factors and pricing issues. Full analysis accompanies our data forecasts to illustrate how the market responds to emerging industry trends.

<http://microfinancesolution.com/microfainancesol.html>

## **2. What Are the Possible Outcomes of Compulsory Liquidation?**

In all cases, the end result of liquidation is the complete dissolution of the company or it ceases to exist as a corporate entity. Generally speaking, the directors of a limited company are not held personally liable for the debts of the dissolved business; however, if the court believes that one or more of the directors were guilty of wrongful trading while the company was insolvent, they may order that person to make a payment to the company. After the liquidation the liquidator is required to investigate and ascertain whether the directors of the insolvent company fulfilled their directors' duties while trading insolvently. By entering into voluntary liquidation or administration with the help of a licensed insolvency practitioner instead of waiting to be wound up by creditors and the court, you can be confident that your company is taking the best course of action, and with the administration route you may even be able to recover and begin operating in a state of solvency again.

If you're worried about the possibility of a lender, bank, or HMRC sending your company into compulsory liquidation, feel free to call us today on 0800 644 6080 for a free consultation with one of our experienced turnaround specialists. We'll work

with you to assess the situation and examine potential alternatives that may allow you to avoid winding up altogether.

<http://www.realbusinessrescue.co.uk/articles/business-liquidation-bankruptcy/compulsory-liquidation>

### **3. ABC Made it Difficult**

The roots of the problem with ABC lie in the way people traditionally construct ABC models. Assume you are analyzing a customer service department that performs three activities: processing orders, handling inquiries, and performing credit checks. The department's total expenses (the cost of the personnel, management, IT, telecommunications, and other fixed resources) amount to \$560,000. The actual (or estimated) quarterly quantities of work in the three activities are 49,000 orders, 1,400 inquiries, and 2,500 credit checks.

To build a traditional ABC model for this department, you would survey employees to estimate the percentage of time they spend (or expect to spend) on the three activities and then assign the department's resource expenses according to the average percentages you get from the survey. Let's say employees report that they spend (or expect to spend) about 70% of their time on customer orders, 10% on inquiries or complaints, and 20% on credit checks. This implies, under ABC, that each order consumes \$8 of resource expense, each inquiry \$40, and each credit check \$44.80, as shown in the exhibit "Doing ABC the Traditional Way." Armed with these figures, known as the cost-driver rates, managers can assign the costs of the department's resources to the customers and products that use its services.

<https://hbr.org/2004/11/time-driven-activity-based-costing>

### **4. BREAKING DOWN 'Remittance'**

Since the year 2000, remittances have played an increasingly large role in the economies of small and developing countries. Since the late 1990s, remittances have exceeded development aid, and can often make up a full third of a country's GDP, for example, Nepal and Moldova. Remittance payments make up for a substantial amount of the flow of capital between countries. In 2014, \$583 billion in USD was transferred between countries, \$436 Billion of which was received by developing countries.

The countries receiving the largest share of remittances are the BRIC nations China and India. Those countries received \$69.97 and \$59.49 billion dollars in 2013 by 2015 estimates.

Remittances are seen as an important part of form of disaster relief, and exceed official development assistance (ODA). Those living in a country struck by a disaster benefit from receiving money via remittances, especially when the disaster is of a kind that has temporarily put people out of work and tied up money. Remittances are also seen as a way to get those living in poorer countries to get bank accounts, in turn helping to promote economic development in a region.

<http://www.investopedia.com/terms/r/remittance>

## **5. G8 and The World Bank**

Remittances play an important role in the growth of developing countries. In 2004, at the G8 summit held in Sea Island Georgia, member countries agreed to take on the problem of the relative high cost of moving funds across borders.

In 2008, the World Bank ended up establishing a database where people could compare prices of different transfer services, so as to make a more informed decision on how to transfer their funds back to their family and loved ones. The thinking behind the database was that, along with creating a more informed customer, it would encourage the money transfer industry to be more competitive on their pricing.

In 2009 the G8 set the goal of reducing the cost of remittances by 5% in as many years. The World Bank responded by helping to establish smaller regional databases using clear and objective methodology to measure the price of different transfer services.

Since the World Bank's database was set up, a good number of remittance services have emerged online, like remit2india, xoom.com, and Azimo, which all provide fast and cheap services. However, many see more work to be done. At a G20 meeting in 2011, Bill Gates argued for the reduction of transfer costs. By Gates Foundation estimates, cutting fees from 10% to 5% could unlock up to \$15 billion a year in poor and developing countries.

<http://www.investopedia.com/terms/r/remittance>

## 6. Net present value (NPV)

NPV is a significant measurement in business investment decisions. NPV is essentially a measurement of all future cashflow (revenues minus costs, also referred to as net benefits) that will be derived from a particular investment (whether in the form of a project, a new product line, a proposition, or an entire business), minus the cost of the investment. Logically if a proposition has a positive NPV then it is profitable and is worthy of consideration. If negative then it's unprofitable and should not be pursued. While there are many other factors besides a positive NPV which influence investment decisions; NPV provides a consistent method of comparing propositions and investment opportunities from a simple capital/investment/profit perspective. There are different and complex ways to construct NPV formulae, largely due to the interpretation of the 'discount rate' used in the calculations to enable future values to be shown as a present value. Corporations generally develop their own rules for NPV calculations, including discount rate.

<http://www.businessballs.com/finance.htm>

### Exercise 31. Render the articles in English. Translate them from Russian into English.

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<http://www.audit-it.ru/news/finance/895253.html>



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[http://forexaw.com/TERMs/Economic\\_terms\\_and\\_concepts/Accounting\\_and\\_Taxes/](http://forexaw.com/TERMs/Economic_terms_and_concepts/Accounting_and_Taxes/)

4) « »  
2017  
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<http://www.rbc.ru/newspaper/2017/02/01/588f30559a79473709b25ff3>

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<http://www.rbc.ru/newspaper/2017/01/26/5888d2589a7947333c4d881e>

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<http://www.forbes.ru/finansy-i-investicii/337937-period-volatilnosti-kakie-aktivy-mogut-ogorcht-investora>

7)

2017 . 14 ,

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« 2015 2016 25%, ,

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<http://www.forbes.ru/finansy-i-investicii/337161-eksperty-nazvali-samy-dohodnyy-aktiv-2017-goda>

8) 27 Microsoft \$ 500 ,  
 2000 , Fortune.  
 2,1%, \$ 65,64,  
 \$510,37 .  
 Microsoft \$500 2009 ,  
 \$550 , Microsoft -  
 Apple,  
 \$ 642 , Google Alphabet  
 \$570 .  
 Microsoft ,  
 , « » ,  
 Fortune. 2014 ,  
 \$34,  
 \$ 315 , .

<http://www.forbes.ru/news/338133-rynochnaya-kapitalizaciya-microsoft-prevysila-500-mlrd-vpervye-s-2000-goda>

**CHAPTER II.**

**ACCOUNTING.  
ANALYSIS AND AUDIT.  
INTERNAL AUDIT.**

**2.1. GLOSSARY**

accountability	1. ( ); ; ;
accountable	2. ,
accountancy	;
accountant	1. ; ; 2. , ; 3.
accounting	1. , ; 2.
accounting equation	( )
accounting transaction	,
accounts-and-records	
accrue	, ( )
accrual	,
activity accounting	
ad hoc audit	
advance/prepayment	
adverse balance	
advice book	
assets	1. , 2. , , , ,

analysis	1. , , 2.
analyst	-
annual audit	
asset of stock	
audit	1. , 2. , ; , , 3. ( .), 4.
audit activities	
audit adjustment	
audit advisory	
audit agenda	
audit book entry	
audit cycle	
audit conclusion	
audit engagement letter	-
audit evaluation sheet	
audit exceptions	,
audit extent	
auditing	,
audit issue	
audit log	-
audit market	
audit method	
audit of statutory accounts	
audit opinion	
audit objective	
audit of the books	
auditor	1. - , 2. , 3.pl.-
auditor's opinion	/
audit procedures	
audit records	
audit sampling	
audit scope	
Audit summary memo	
audited entity	

available capital	
balance	1. , ( , ); ; , , ;2.
balance book	
balance brought forward	( )
balance carried forward	( )
balance due	
balance on goods and services	( )
balance revaluation	
balance sheet	,
balance sheet analysis	
balance sheet assets	
balance sheet audit	
balance sheet date	
balance sheet	,
equation/accounting equation	
balance sheet layout	
balancing off accounts	
bank accounting	
bank/non-cash transaction	
basic transactions	
block deduction	( )
book	1. , , , ,
bookkeeping schedule	
bookkeeping transactions	,
borrowed capital	
break-even analysis	( ), ( )
budget accountant	-
budget analysis	
business analysis	

business capital	
calculation, computation	( )
calculation/reckoning of cost,	
statement of charges/costs	
capital/fixed assets	, ,
capital of a company	
cash audit	
cash and credit transactions	
cash at bank	
cash in hand	
cash book	
cash flow information	
cash/down payment, cash	
settlement, ready cash	
charge-off/checkoff/deduction	
chief accountant	
chief managerial accountant	-
Chinese accounting	
collection analyst	
collection ledger	
complete entry	
compliance audit	
condensed statement of	(
condition	)
consolidated financial	;
statement	
consumer disbursement	
analysis	
core capital	
cost accountant	
cost accounting	1. , 2.
cost analysis	
cost behavior analysis	

cost-benefit analysis	
cost-effectiveness analysis	
cost ledger	
cost-performance analysis	
cost sheet	
cost-utility analysis	
Court of Audit	
credit	1. , , 2. , 3. ,
credit balance	
credit investigation	
credit side	
credit the cash account	
credit the supplier's account	
creditor	
current assets	
current capital	,
debenture capital	
debit	,
debit side	
debit the purchases account	
debt	,
debtor, borrower	,
debtors' age analysis	
debtors' ledger	
depreciation accounting	
discounted cash flow analysis	
double-entry system for	
expenses and revenues	
drawings	
dynamic analysis	
earning assets	
eliminations ledger	
end-point analysis	

enter up transactions in the records	
enterprise accounting	
entity accounting	1. , 2.
error analysis	
expenditures	, ,
expenses account	
express analysis	, -
external audit	
factory/industrial accountant	
feasibility analysis	
fictitious asset	( , )
field audit	
financial accounting	
financial analysis	
financial analyst	
financial statement	1. , 2.
fiscal/financial audit	
fixed assets	
fixtures and fittings	
flat deduction	( )
for-cause audit	,
forensic accounting	
fraud	,
frozen assets	
funds flow statement	
general accounting office	
general audit	
general expenses	
general/ledger account	
Generally Accepted Accounting Principles (GAAP)	



get audited	
gross loss	
gross profit	
gross profit margin	( )
impersonal accounts	
income analysis	
income-expenditure analysis	
income statement/profit and loss account	
independent/external audit	
insurance	
intangible assets	( , .)
intensive audit	
interest bearing assets	,
interim audit	,
interim statement	
internal audit	
internal audit department	
International Auditing and Assurance Standards Board (IAASB)	
International Standards on Auditing	
item of expenditure	
invariant analysis	( ),
ledger	,
leverage ratio	, .
liability	1.pl- ( ); , ,
lighting and heating expenses	
list of deductions from wages	
loan ledger	

long-term liabilities	
macroeconomic analysis	
microeconomic analysis	
management accounting	
management audit	
mandatory audit	
money-flow analysis	
net avails/proceeds	
net loss	
nominal accounts	
nominal assets	,
nominal ledger	
obsolescence audit	,
off-balance sheet	
opening stock	
operating cost analysis	
organization audit	
overhead analysis	
overhead budget	
payroll/ schedule of wages	
payroll preparation	
payroll recapitulation	
personal accounts	
plant property ledger	
preliminary audit	
profit	
profit and loss/loss and gain account	,
purchases	
purchases account	
qualified auditor's opinion	-
ratio analysis	,
Russian Audit Chamber	
real accounts	
receivables	,

record keeping	
red flags	/
reducing balance method	
rent	
replacement-cost accounting	
returns outwards account	
revaluation	,
revenue	,
risk analysis	
risk assets	
sales	
sales account	
sales returns account	
savings-investment analysis	,
securities ledger	
security analysis	
short-term/current liabilities	
single-entry bookkeeping	
statement	1. , ( .) 2. , , , ; 3. ,
statement of corrections	( )
statement of income	
Statements of Standard Accounting Practice (SSAP)	( )
statutory audit	
stock account	
stock-in-trade	« »
store accounting	
straight line method	
sum of the yearsø digits method	« » ( )
swing the balance of payments out of deficit	

subsidiary-company			
accounting			
sundry expenses			
tangible assets		(	
	)		
tax accountant			
tax audit			
tax roll			
third party audit			
total assets		,	
trade creditors			;
	-		
trade debtors			;
trading account			
trial balance			
unqualified auditor's opinion		-	
verification sheet			
voluntary audit			
witness audit			
yearly account			

## 2.2. EXERCISES

**Exercise 1. Complete the table with words which have related meanings.**

<b>noun</b>	<b>noun (person)</b>	<b>verb</b>	<b>adjective</b>
1.		count	
2. debt			
3.	auditor		
4.			bookkeeping
5.		profit	
6. loss			
7. advance			
8.	earner		
9.		credit	
10.			deductable

**Exercise 2. Match the words with their meanings in Russian.**

- |                            |    |   |   |
|----------------------------|----|---|---|
| 1. balance revaluation     | a) |   |   |
| 2. balance sheet assets    | b) |   |   |
| 3. balance sheet date      | c) | ( | ) |
| 4. balance carried forward | d) |   |   |
| 5. balance brought forward | e) |   |   |
| 6. balance book            | f) | ( | ) |
| 7. balance sheet           | g) |   |   |
| 8. balance sheet equation  | h) |   |   |
| 9. balance sheet layout    | i) |   |   |

**Exercise 3. Match the accounting terms with their definitions.**

1. financial statement
2. the statement of retained earnings
3. the statement of cash flows

4. the statement of changes in stockholders' equity
5. condensed statement of condition
6. income statement

a) it summarizes a company's activities, assets and liabilities, including the balance sheet and profit and loss account.

b) it gives a detailed break-up of the equities, which are mentioned in the balance sheet.

c) is an accepted form of financial reporting in which the statement categories are consolidated under a general category for purposes of simplifying the reading of the financial statement.

d) is a final output of the entire accounting process. It consists of a profit and loss account and a balance sheet for that particular financial year, and it is released either at the end of the given financial year or at the beginning of the next financial year.

e) it records the amount of money (in cash) generated and utilized during a given period of time in a financial year.

f) is an alternative term for profit and loss account

g) it records the effect of net income and profits/losses that were incurred by a company, on its financial position.

**Exercise 4. Match the words in Russian with their meanings.**

- |     |   |                       |
|-----|---|-----------------------|
| 1.  | , | a) complete entry     |
| 2.  |   | b) net loss           |
| 3.  |   | c) verification sheet |
| 4.  |   | d) sundry expenses    |
| 5.  |   | e) asset of stock     |
| 6.  |   | f) flat deduction     |
| 7.  |   | g) accrual            |
| 8.  |   | h) revaluation        |
| 9.  |   | i) payroll            |
| 10. | , | j) field audit        |
| 11. |   | k) drawings           |

**Exercise 5. Match the words in English to their meanings.**

- |                                  |    |   |
|----------------------------------|----|---|
| 1. feasibility analysis          | a) | ,   |
| 2. debtorsøage analysis          | b) |   |
| 3. savings-investment analysis   | c) | (                    ),<br>(                    ) |
|                                  |    | )   |
| 4. income-expenditure analysis   | d) |   |
| 5. operating cost analysis       | e) |   |
| 6. budget analysis               | f) |   |
|                                  |    |   |
| 7. break-even analysis           | g) |   |
| 8. overhead analysis             | h) |   |
| 9. discounted cash flow analysis | i) |   |
|                                  |    |   |
| 10. money-flow analysis          | j) |   |

**Exercise 6. Match the words to make collocations.**

- |                 |                   |
|-----------------|-------------------|
| 1. annual       | a) loss           |
| 2. fixed        | b) report         |
| 3. payroll      | c) accountant     |
| 4. gross        | d) analysis       |
| 5. error        | e) side           |
| 6. depreciation | f) recapitulation |
| 7. tax          | g) accounting     |
| 8. debit        | h) assets         |

**Exercise 7. Complete the text with the words from the list.**

financial statements                      entities                      external auditing  
audited                      measures                      double-entry bookkeeping  
investors

Accounting or accountancy is the measurement, processing and communication of financial information about economic \_\_\_1\_\_\_ such as businesses and corporations. The modern field was established by the Italian mathematician Luca Pacioli in 1494. Accounting, which has been called the "language of business", \_\_\_2\_\_\_ the results of an organization's economic activities and conveys this information to a variety of users, including \_\_\_3\_\_\_, creditors, management, and regulators.<sup>1</sup> Practitioners of accounting are known as accountants. The terms "accounting" and "financial reporting" are often used as synonyms.

Accounting can be divided into several fields including financial accounting, management accounting, \_\_\_4\_\_\_, and tax accounting. Accounting information systems are designed to support accounting functions and related activities. Financial accounting focuses on the reporting of an organization's financial information, including the preparation of \_\_\_5\_\_\_, to external users of the information, such as investors, regulators and suppliers; and management accounting focuses on the measurement, analysis and reporting of information for internal use by management. The recording of financial transactions, so that summaries of the financials may be presented in financial reports, is known as bookkeeping, of which \_\_\_6\_\_\_ is the most common system.

Accounting is facilitated by accounting organizations such as standard-setters, accounting firms and professional bodies. Financial statements are usually \_\_\_7\_\_\_ by accounting firms, and are prepared in accordance with generally accepted accounting principles (GAAP). GAAP is set by various standard-setting organizations such as the Financial Accounting Standards Board (FASB) in the United States and the Financial Reporting Council in the United Kingdom. As of 2012, "all major economies" have plans to converge towards or adopt the International Financial Reporting Standards (IFRS).

(<https://en.wikipedia.org/wiki/Accounting>)



**Exercise 8. Complete the text with the words from the list.**

<b>sample</b>	<b>failure</b>	<b>agreement</b>	<b>fieldwork</b>	<b>involvement</b>
<b>remedial</b>	<b>determine</b>	<b>conducted</b>	<b>reconsider</b>	<b>external</b>
<b>compliance</b>	<b>reporting</b>	<b>assigned</b>	<b>hands-on</b>	<b>fixed asset</b>

The auditing process is the specific steps used in a financial, operational or \_\_\_1\_\_\_ compliance audit. The steps may vary depending on the company and the type of audit services company owners requested from an \_\_\_ 2 \_\_\_ accounting firm. Most companies have financial audits once a year; operational and compliance audits are normally \_\_\_ 3 \_\_\_ on an as-needed basis. The auditing process usually includes three basic steps: planning, \_\_\_ 4 \_\_\_ and reporting. A fourth step, follow-up, may be needed if the company fails the initial audit process.

Planning is typically the first stage of the auditing process. It usually begins with company management working with auditors on the type of audit service needed for their company. Typical audits include bank, internal controls, \_\_\_ 5 \_\_\_ or full financial engagements. Audit fees often are discussed at this point as well because each audit may have different levels of \_\_\_ 6 \_\_\_ by auditors. Higher levels of audit services usually requires more time and effort by auditors, resulting in higher fees. Once the audit engagement services are decided upon, the auditing process usually moves to the fieldwork phase.

The fieldwork phase of the auditing process is the \_\_\_ 7 \_\_\_ review of financial and operational information by auditors. The breadth and depth of the field depends on the type of audit and the number of errors found during the fieldwork phase. Auditors select a \_\_\_ 8 \_\_\_ from the company's financial or business information and test it against the company's accounting or business policies. Significant variances or failures typically result in auditors selecting a second sample to \_\_\_ 9 \_\_\_ if more errors exist. If more errors exist, auditors normally mark the company's entire process relating to the specific information as a \_\_\_10\_\_\_. If the second samples have no errors, auditors often just note how many variances or failures were found in the information. After the fieldwork phase is complete, auditors generally begin the \_\_\_ 11 \_\_\_ section of the auditing process.

The reporting phase of the auditing process usually involves the auditors discussing their findings with company management. This meeting gives management a chance to dispute any findings and request auditors to \_\_\_ 12 \_\_\_ items found during the fieldwork phase. Auditors may request additional information from management during this meeting to complete their documentation requirements. Once company

management and auditors are in \_\_\_13\_\_\_ with the initial audit report, auditors normally prepare the final audit report that may be issued to outside stakeholders. The follow-up stage of the auditing process is a \_\_\_ 14 \_\_\_ audit conducted on companies that fail to achieve a passing audit score. Large or publicly-held companies usually have \_\_\_ 15 \_\_\_ acceptable audit scores for each department in its operations. Smaller companies may regularly be required by auditors to have a remedial audit, which is not unusual; remedial audits are simply an extension of the process.

<http://www.wisegeek.com/what-is-the-auditing-process.htm>

**Exercise 9. Use the words given in brackets to form a word that fits the space in the sentence.**

Auditing is the \_\_\_ 1 \_\_\_ (**verify**) of assertions made by others regarding a payoff, and in the context of accounting it is the "unbiased \_\_\_ 2 \_\_\_ (**examine**) and evaluation of the financial statements of an organization".

An audit of financial \_\_\_ 3 \_\_\_ (**state**) aims to express or disclaim an opinion on the financial statements. The \_\_\_ 4 \_\_\_ ( **audit** ) or expresses an opinion on the \_\_\_ 5 \_\_\_ ( **fair** ) with which the financial statements presents the financial position, results of operations, and cash flows of an entity, in accordance with the generally \_\_\_ 6 \_\_\_ ( **accept** ) accounting principle (GAAP) and "in all material respects". An auditor is also required to \_\_\_ 7 \_\_\_ ( **identity** ) circumstances in which the generally acceptable accounting principles (GAAP) has not been consistently observed.

( <https://en.wikipedia.org/wiki/Accounting#Auditing> )

**Exercise 10. Match the halves of the sentences and translate them into Russian.**

1. Revenues are events which arise from trading and have the effect of increasing the owner's claim (capital) í
2. Fixed assets are those assets which have been acquired í
3. Stock-in-trade valuations at accounting period ends can have a significant effect í
4. The auditor's evaluation of the control systems operating within the enterprise has a direct influence í

5. The off-balance sheet finance may be applied to reduce existing borrowings, í
6. Expenses are events which arise from trading í
7. Current assets are held with the intention í
8. In order to make an investment decision the number of accounts kept by a business í
  - a) on the reported profit or loss of a business and on the balance sheet.
  - b) thus bringing down the gearing ratio, or it may be secured in order to embark on an important project or acquisition which is needed for the company's long term future.
  - c) of being converted into cash at some future date.
  - d) and therefore the owner's wealth.
  - e) will depend on the amount of the detailed information required by the owners or managers of the business.
  - f) and have the effect of reducing the owner's capital and wealth.
  - g) for the purpose of being employed within the business to generate profit.
  - h) on the scope of the examination he undertakes and the nature of the tests he conducts.

**Exercise 11. Read the text. Translate the underline words.**

A financial audit is conducted to provide an opinion whether "financial statements" (the information being verified) are stated in accordance with specified criteria. Normally, the criteria are international accounting standards, although auditors may conduct audits of financial statements prepared using the cash basis or some other basis of accounting appropriate for the organization. In providing an opinion whether financial statements are fairly stated in accordance with accounting standards, the auditor gathers evidence to determine whether the statements contain material errors or other misstatements.

The audit opinion is intended to provide reasonable assurance, but not absolute assurance, that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework. The purpose of an audit is to provide an objective independent examination of the financial statements, which increases the value and credibility of the financial statements produced by management, thus increase user confidence in the financial

statement, reduce investor risk and consequently **reduce the cost of capital of the preparer** of the financial statements.

In accordance with the **US GAAP**, auditors must release an opinion of the overall financial statements in **the auditor's report**. Auditors can release three types of statements other than an unqualified/unmodified opinion. The **unqualified auditor's opinion** is the opinion that the financial statements are presented fairly. **A qualified opinion** is that the financial statements are presented fairly in all material respects in accordance with **US GAAP**, except for **a material misstatement** that does not however pervasively affect the user's ability to rely on the financial statements. A qualified opinion can also be issued **for a scope limitation** that is of limited significance. Further the auditor can instead issue a **disclaimer**, because there is insufficient and appropriate evidence to form an opinion or because of lack of independence. In a disclaimer **the auditor explains the reasons for withholding an opinion and explicitly indicates that no opinion is expressed**. Finally, **an adverse audit opinion** is issued when the financial statements do not present fairly due to departure from **US GAAP** and the departure materially affects the financial statements overall. In an adverse auditor's report the auditor must explain **the nature and size of the misstatement** and must state the opinion that the financial statements do not present fairly in accordance with **US GAAP**.

Financial audits are typically performed by firms of practicing accountants who are experts in financial reporting. The financial audit is one of many **assurance functions** provided by **accounting** firms. Many organizations separately employ or hire **internal auditors**, who do not attest to financial reports but focus mainly on the internal controls of the organization. **External auditors** may choose **to place limited reliance on the work of internal auditors**. Auditing promotes transparency and accuracy in the financial disclosures made by an organization, therefore would likely **reduce such corporations concealment of unscrupulous dealings**.

Internationally, the **International Standards on Auditing (ISA)** issued by the **International Auditing and Assurance Standards Board (IAASB)** is considered as the benchmark for audit process. Almost all jurisdictions require auditors to follow the ISA or a local variation of the ISA.

([https://en.wikipedia.org/wiki/Financial\\_audit](https://en.wikipedia.org/wiki/Financial_audit))

**Exercise 12. Complete the text with the words from the list.**

**trustworthy      enter      called      credibility      fraud      witness**  
**obtain      credentials      practices      determine      certified**

In order to become a forensic accountant, a candidate will need to \_\_\_ 1 \_\_\_ an accounting degree, along with special certification in forensic accounting or \_\_\_ 2 \_\_\_ examination. The more \_\_\_ 3 \_\_\_ someone obtains, the more money he or she will be able to demand for services, and the more \_\_\_ 4 \_\_\_ he or she will be given in a court of law. Because forensic accountants focus on examining accounting \_\_\_ 5 \_\_\_ for the purpose of testifying in court or helping to build a legal case, many pursue as many certifications as possible to make themselves into very \_\_\_ 6 \_\_\_ authorities.

Forensic accounting is a branch of the accounting field which focuses on the examination of accounting practices and records to \_\_\_ 7 \_\_\_ whether or not illegal activities such as fraud have occurred. Forensic accountants can be \_\_\_ 8 \_\_\_ in when a company is audited, when law enforcement officials suspect that someone is involved in illegal activity, or when a lawyer wants someone to testify in court about an accounting-related matter as an expert \_\_\_ 9 \_\_\_ witness.

The first step in becoming a forensic accountant is receiving an accounting degree from a college which offers such degrees, and sitting for the \_\_\_ 10 \_\_\_ public accountant (CPA) exam. Once someone becomes a CPA, he or she can \_\_\_ 11 \_\_\_ accounting practice, which can provide valuable real-world experience, but additional coursework is usually required to become a forensic accountant.

(<http://www.wisegeek.com/how-do-i-become-a-forensic-accountant.htm>)

**Exercise 13. Read the text about possible financial statement frauds and their detection methods. Retell the text.**

### **Financial Statement Fraud Red Flags**

Financial statement red flags provide a general overview of the warning signs investors should take note of. They do not necessarily indicate an undoubted occurrence of financial statement fraud, but merely signal that further in-depth research must be conducted to assess the validity of the corporate documents. Creditors would find such information useful to ensure that loans are not provided to firms operating with an elevated amount of risk. Investors, on the other hand, may want to take note of the following factors to discover new shorting opportunities.

Government regulators, however, aim to catch and punish fraud to ensure the transparency and reliability of the financial markets.

Five basic types of financial statement fraud exist:

- fictitious sales
- improper expense recognition
- incorrect asset valuation
- hidden liabilities and
- unsuitable disclosures

Effectively spotting these fraudulent disclosures involves keeping an open eye for the most common financial statement fraud red flags:

- Accounting anomalies, such as growing revenues without a corresponding growth in cash flows. Sales are much easier to manipulate than cash flow but the two should move more or less in tandem over time.
- Consistent sales growth while established competitors are experiencing periods of weak performance. Note that this may be due to efficient business operations rather than fraudulent activity.
- A rapid and unexplainable rise in the number of day's sales in receivables in addition to growing inventories. This suggests obsolete goods for which the firm records fictitious future sales.
- A significant surge in the company's performance within the final reporting period of fiscal year. The company may be under immense pressure to meet analysts' expectations.
- The company maintains consistent gross profit margins while its industry is facing pricing pressure. This can potentially indicate failure to recognize expenses or aggressive revenue recognition.
- A large buildup of fixed assets. An unexpected accumulation of fixed assets can flag the usage of operating expense capitalization, rather than expense recognition.
- Depreciation methods and estimates of assets' useful life that do not correspond to the overall industry. An overstated life of an asset will decrease the annual depreciation expense.
- A weak system of internal control. Strong corporate governance and internal controls processes minimize the likelihood that financial statement fraud will go unnoticed.

- Outsized frequency of complex related-party or third-party transactions, many of which do not add tangible value (can be used to conceal debt off the balance sheet).
- The firm is on the brink of breaching their debt covenants. To avoid technical default, management may be forced to fraudulently adjust its leverage ratios.
- The auditor was replaced, resulting in a missed accounting period. Auditor replacement can signal a dysfunctional relationship while missed accounting period provides extra time to "fix" financials.
- A disproportionate amount of managements' compensation is derived from bonuses based on short term targets. This provides incentive to commit fraud.
- Something just feels off about the corporation's business model, financial statements or operations

### **Financial Statement Fraud Detection Methods**

Spotting red flags can be extremely challenging as firms that are engaged in fraudulent activities will attempt to portray the image of financial stability and normal business operations. Vertical and horizontal financial statement analysis introduces a straightforward approach to fraud detection. Vertical analysis involves taking every item in the income statement as a percentage of revenue and comparing the year-over-year trends that could be a potential flag cause of concern. A similar approach can also be applied to the balance sheet, using total assets as the comparison benchmark, to monitor significant deviations from normal activity. Horizontal analysis implements a similar approach whereby rather than having an account serve as the point of reference, financial information is represented as a percentage of the base years' figures. Likewise, unexplainable variations in percentages can serve as a red flag requiring further analysis.

Comparative ratio analysis also allows analysts and auditors to spot discrepancies within the firm's financial statements. By analyzing ratios, information regarding day's sales in receivables, leverage multiples and other vital metrics can be determined and analyzed for inconsistencies. A mathematical approach, known as the Beneish Model, evaluates eight ratios to determine the likelihood of earnings manipulation. Asset quality, depreciation, gross margin, leverage and other variables are factored into the analysis.

(<http://www.investopedia.com/articles/financial-theory/11>)





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(<http://www.rcb.ru/rcb/2006-15/7813/>)

**Exercise 15. Read and render the article.**

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**Exercise 16. Read and retell the article.**

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**Exercise 17. Read and translate the article.**

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(<http://www.kommersant.ru/doc/3002591>)

**Exercise 18. Read the article. Translate underlined words and phrases. Retell the article in English.**

PR-

PR- *Holmes report*

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\_\_\_\_\_ 250 PR- 2016 . 7%  
 \$11 , Holmes report.

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): « Holmes report \_\_\_\_\_,  
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(<http://www.vedomosti.ru/technology/articles/2017/04/25/687269-pr-kompani>)

**Exercise 19. Read, translate and retell the article.**





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(<http://www.grandars.ru/student/buhgalterskiy-uchet/otchet>)

**Exercise 20. Read the article. Put the headings in the correct order. Retell the article.**

1. To Weigh Arguments
2. Accountant as a Consultant
3. Tax Legislation vs. Accounting
4. Technical Skills
5. Communication

### **The Chief Accountant in Russia: A Critical Moment.**

By Ulf Schneider

There is hardly another position in Russia that arouses so many different associations as the position of a chief accountant. Let's begin with the facts: From a legal point of view, a chief accountant is the second most important person in a company after the general director. Besides, with little exception, the profession of an accountant in Russia is occupied by women.

The notion of a "Soviet accountant" cannot be regarded as a compliment, but it does not always have a negative meaning. While many directors prefer to have a dragon-secretary in their reception to provide themselves with good safety, others employ with pleasure an accountant of the "Soviet" type so that she applies her forces to extract documents from colleagues and partners. Nevertheless, this type is gradually slipping into the past.

At present, there is a demand for those accounting and tax experts who are able to give advice, are amiable in communication, have necessary technical skills and who treat the accounting with reasonable flexibility. It seems an unachievable ideal that is extremely difficult or even impossible to find. Let's see separate aspects of this type.

#### **1. \_\_\_\_\_**

The aim of an accounting department is to make about 15 reports per quarter and submit them to tax authorities. But the chief accountant who thinks like that is a loser. Nowadays, it is more important to be able to consult company's management (which includes not only the general director). Consultations are important because, on one hand, the document flow in the company must be organized in such way that the accounting department gets the necessary documents without overloading the employees. On the other hand, consultations can help in situations when statutory and tax accounting legislations foresee the possibilities of choice.

2. \_\_\_\_\_

Universities that teach accounting normally do not specialize in teaching communication techniques. Those people who will have to communicate with a Russian accountant must try to understand her logic. For example, to the question "What rental expenses did we have in the third quarter?" you will get the sum amount with VAT. This is not typical for Western accounting, but it is widespread in Russia. Here it is necessary to remember that communication should not be one-sided.

3. \_\_\_\_\_

Accounting is not only preparing documents and making reports. Technical skills are in big demand, such as, for example, the ability to allocate types of expenses and project items in accounting programs (it is usually 1C). New configurations, such as 1C UPP (the answer to the Western ERP systems) also demand certain technical preparation.

4. \_\_\_\_\_

Everybody is familiar with the following situation: The accountant has some idea in her mind, and she will fight for this until the end. At that, the private opinion of one tax inspector is treated as a law and is being struggled for with great passion. Today, we need the accountants who are able to take into consideration different arguments and who are ready to take some risks within the framework of the current legislation. In other words, the conservative accountants who avoid trying to discuss disputable situations with the inspector will not help their company make a tax audit check easier. Legal interpretation and reasonable tax planning look absolutely different.

5. \_\_\_\_\_

For a long time, accountants thought that it is more important to be experts in tax accounting rather than statutory accounting. Such point of view is very hard to change, but it must be done because this year the number of differences between accounting legislation and tax legislation has increased. Thus, in statutory accounting it is necessary to include reserves into reports (on warranty expenses, vacation, etc.), but in tax accounting it is not necessary or cannot be accepted at all. Also, the role of tax and accounting planning of the financial result is becoming more important. In this sense, the position of an accountant is becoming more prestigious. The changes of the chief accountant's image are in full bloom now. Good specialists in this sphere are hard to find but, nevertheless, possible.

Ulf Schneider, Managing Director, RUSSIA CONSULTING

(<https://themoscowtimes.com/articles/the-chief-accountant>)

## **Exercise 21. Read and retell the text in English.**

### **Cash Flows from Operating Activities**

International Accounting Standard 7 (IAS 7) defines operating activities as "the principal revenue-producing activities of the entity and other activities that are not investing or financing activities".

Cash flows mean the inflows and the outflows of cash and cash equivalents. By cash we mean cash on hand and demand deposits. While the cash equivalents comprise short-term liquid investments that are quickly convertible to cash and which are subject to very little risk of changes in value.

The inflows and outflows of cash and cash equivalents for the operating activities are termed as "cash flows for operating activities". The cash flows from operating activities are most commonly derived from the primary revenue-generating activities of a business or an entity. This is the amount of cash generated by an entity from its core business as opposed to the peripheral activities such as financing or investing.

Following are some of the common examples of cash flows from operating activities.

Examples of inflows:

- Cash collected from customers against sale of goods or rendering of services
- Cash collections from "other revenues" such as commissions, royalties, and fees
- Cash refunded against income taxes if they cannot be specifically identified with the investing or financing activities

Examples of outflows:

- Cash paid to vendors against supply of goods or services
- Cash paid to or on behalf of employees of the entity
- Cash paid against income taxes if they cannot be specifically identified with the investing or financing activities

In addition to the above examples, cash flows from trading or dealing in futures and options and, in case of insurance companies, cash receipts and payments for premiums and claims are also examples of cash flows from operating activities.

Apart from these, the cash flows that cannot be classified as cash flows from investing or financing activities are also classified as cash flows from operating activities.

Cash flows from operating activities are a critical indicator of the financial strength of an entity because they are the most important source of internal finance. They represent an organization's ability to maintain its operating activities, service debts,

repay loans, pay dividend, and make capital investments without recourse to external funding. (<https://www.readyratios.com/reference/accounting/>)

**Exercise 22. Read the text. Think of the word which best fits each space. Use only one word in each space.**

### **Administrative Expenses**

**Administrative expenses** refer \_\_\_ 1 \_\_\_ the costs of operating a business that are not directly attributable to the production of goods or services. Administrative expenses \_\_\_ 2 \_\_\_ related to the organization as a whole \_\_\_ 3 \_\_\_ opposed to the individual departments.

Administrative expenses are necessary costs that are associated \_\_\_ 4 \_\_\_ the management, administrative, clerical, and general functions within an organization. Administrative expenses can take the form of such basic needs as rent of the building, the cost of utilities, or the salaries of employees that are \_\_\_ 5 \_\_\_ involved in the production of goods or supply of services.

These are the expenses which are incurred in controlling and directing an organization but cannot be directly identified with the marketing, financing or production \_\_\_ 6\_\_\_. The salaries of executives cost of services (such as accounting, contracting, and industrial relations) are the examples of \_\_\_ 7 \_\_\_ expenses.

Administrative expenses usually \_\_\_ 8 \_\_\_ costs that offer a wide benefit to the organization. The benefits of these expenses transcend departmental lines and \_\_\_ 9\_\_\_ it possible for the many necessary functions to successfully take place.

One of the \_\_\_ 10 \_\_\_ common examples of administrative expenses is the cost of utilities. Charges for heating, cooling, power, and water are all \_\_\_ 11 \_\_\_ classified as administrative expenses. The costs for internet, landline and mobile telephone services are also included in these expenses.

The cost of leasing or renting space for the operations of the organization is \_\_\_ 12 \_\_\_ a common example of administrative expenses. This can include rental cost of a suite of offices in an office building, or the rental of manufacturing plant. In some cases it might \_\_\_ 13 \_\_\_ successfully argued that the rental cost of production facility should be attributed to the production costs of goods.

Salaries of certain employees can also be included in the administrative expenses. The salaries of managers and general administrators, \_\_\_ 14 \_\_\_ are involved in many different areas of the operations, can be included in administrative expenses. The directors' remuneration and salaries of senior executives can also be included.

([https://www.readyratios.com/reference/accounting/administrative\\_expenses.html](https://www.readyratios.com/reference/accounting/administrative_expenses.html))



**CHAPTER III.**

**TAX ADMINISTRATION AND CONSULTING.**

**3.1. GLOSSARY**

abatement of tax	, ;
accounting period	
adjustment	,
advance payment	
allowance	,
assessment of tax	/
attach property	
audit	,
avoid tax	
avoidance	
bad debt	
back taxes	,
budget	
burden of tax	,
calculate	
capital gains tax	
cascade tax	
charge taxes	
chargeable income	,
Classifier of Tax Documents	( )
collect taxes	,
common tax	
company tax	
comparable tax	
compensating tax	
complementary tax	
comply (with)	( ,

comprehensive income tax system	)
concession tax	
consolidated tax return	/
corporate income tax / CIT	
corporate property tax	
corporate (profit) tax	,
	/
credit against tax	,
credit for tax	
cumulative tax	
customs duty	,
declare taxes	
deduct tax	
deduction	,
deemed income	
deferment of tax	
Department of the Federal Tax Service	
direct tax	
documentary tax audit	
domicile	,
double tax treaty	
double taxation / assessment	
due date for tax payment	
duty	
duty-free zone	/
earnings stripping	
effective tax rate	/
employee tax	,
employer tax	,
enact	,

entity	,
equal treatment	
enrolled agent	,
evasion	
examination	
excess profit tax / EPT	
excise duty / tax	
exclusions	
exempt from	;
exempt from VAT	/
exempt legal entity	,
exemptions	
extraordinary tax	
favourable tax treatment	
federal tax lien	
Federal Tax Service	
field tax inspection / audit	
file a tax return	/
filing	
filing requirements	
final tax	
fiscal	
fiscal code	
fiscal data	
fiscal law / legislation	
fiscal management	;
fiscal policy	-
fiscal transparency	,
fixed rate	
flat tax rate schedule	
flow-through entity	

for tax purposes	
foreign tax credit / FTC	,
free of tax	
gambling tax	
general income tax	
general sales tax	
hidden tax	
high-tax country	
impose a tax	,
impost	, ( )
imputed income	
imputed tax	
income splitting	( )
indirect tax	
individual income tax	/
individual person	
individual property tax	
Individual Taxpayer Number	
inheritance tax	
inspection	
Internal Revenue Service / IRS	,
investment tax credit	
item of taxation	
jeopardy assessment	
jurisdiction	,
land tax	
late payments of tax	
legal arrangements	,
legal entity	
levy	,
levy taxes	

liable to duty	
lien	
look-through entity	
loophole	
loss relief	
lump-sum tax	
luxury taxes	
maintain tax records	
marginal tax rate	/
National Tax Tribunal	
natural person	
negligence	,
non-taxable	
non-taxable income	
notice of levy	
obligation	
office tax audit	
off-site tax inspection	
one-off payment	
output tax	
penalty	,
per capita tax	
personal exemption	
personal income tax	
personal tax return	
pledge of property	
preference	
preferential tax treatment	,
professional preparer	,
progressive tax	,
prompt payment	

pro rata rule	
property	
proportional taxes	
raise taxes	,
rebate	, ,
recover taxes	
recovery of tax	
refund of tax	
register with the tax authorities	
residence-based taxation	
residence-country tax	,
retained profit tax	
retention tax	;
sales tax	
schedular tax system	
secret tax information	,
seize property	
simplified tax system	
source of taxation	
source-based taxation	
statutory tax rate	
subject to taxation	
submit returns	
sumptuary tax	
surcharge	
tax	, , ;
taxable base	
taxation	
taxation base	
tax abuse	
tax adjustment	
tax adviser	
tax allowance	
tax amnesty	
tax audit	

tax authorities	
tax avoidance	
tax book-keeping	
tax bracket	/
tax break	,
tax certification	
tax charges	
tax clause	
Tax Code of the Russian Federation	
tax compliance	,
	,
tax concession	
tax deductible	
tax deduction	
tax deferral	
tax depreciation	
tax domicile	, ;
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tax due	, ;
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tax evader	
tax evasion	
tax-exempt	/
tax-exempt income	,
tax-free zone	
tax haven	,
tax holiday	
tax incentive	,
Tax Information Exchange Agreement / TIEA	
tax inspection	
tax jurisdiction	
tax law	
tax legislation	
tax liabilities	;

tax liability	,
tax notice	,
tax number	,
tax obligation	
tax offence	
tax office	,
tax official	
tax package and instructions	
tax payable	,
tax payer	
Taxpayer Identification Number / TIN	
tax planning	
tax policy	
tax proceedings	
tax rate	/
tax receipt	;
tax receivable	
tax reclaim	
tax reference number	( )
tax refund	
tax registration	/
tax regulations	, , ,
tax relief	, ;
tax residence	, ;
tax return	,
tax return preparer	
tax rule	
tax scale	



tax sovereignty	
tax table	,
tax treatment	,
tax unit	
taxes and levies	
timely payment	
transaction tax	
transparency	
turnover tax	
uncollected taxes	,
uncollectible taxes	
underlying tax	
undistributed profits tax	
unitary tax system	/
value added tax / VAT	
VAT debtor	,
verification	
violation of the tax legislation	
withhold a tax	,
withholding tax	,

### 3.2. EXERCISES

**Exercise 1. Complete the sentences using the right form of the words given.**

1. All current expenses required for the operation of the business are fully tax \_\_\_\_\_. (DEDUCT)
2. A corporation can reduce its \_\_\_\_\_ income by insurance premiums, travel expenses, bad debts, interest payments, sales taxes. (TAX)
3. If you owe taxes, make sure that a \_\_\_\_\_ is properly credited to you. (PAY)
4. Payment of taxes at rates levied by the state is compulsory, and tax \_\_\_\_\_, the deliberate failure to pay one's full tax \_\_\_\_\_, is punishable by law. (EVADE, LIABLE)

5. Tax \_\_\_\_\_ is performed by a government agency such as the Canada Revenue Agency, the Internal Revenue Service (IRS) in the United States. (COLLECT)
6. A fiscal year arbitrarily sets the beginning of the \_\_\_\_\_ period to any date and financial data is accumulated for one year from this date. (COUNT)
7. Tax \_\_\_\_\_ means making tax payments and producing and submitting information to the tax authorities on time and in the required formats. (COMPLY)
8. A number of countries have introduced legislation to counter the kind of tax \_\_\_\_\_ whereby a taxpayer obtains a \_\_\_\_\_ of tax which is not intended by law. (AVOID, DEFER)
9. Returns filed electronically using commercial vendor software are considered \_\_\_\_\_ if we receive your return on the due date by midnight. (TIME)
10. Salaries tax is \_\_\_\_\_ on most but not all of the income from employment, offices and pension arising in or derived from Hong Kong. (CHARGE)

**Exercise 2. Complete the sentences using the right form of the words given. Use prefixes where necessary.**

1. Are you experiencing a temporary hardship that's preventing you from paying your tax debt? If so, you might qualify for a temporary \_\_\_\_\_ status. (COLLECT)
2. A paid tax return \_\_\_\_\_ is primarily responsible for the overall substantive accuracy of your return and by law, is required to sign the return and include their \_\_\_\_\_ tax identification number (PTIN) on it. (PREPARE)
3. Current tax is the expected tax payable or \_\_\_\_\_ on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any \_\_\_\_\_ to tax payable in respect of previous years. (RECEIVE, ADJUST)
4. According to the concept of the new legal \_\_\_\_\_ contained in the Tax Code, tax \_\_\_\_\_ is one of the so-called "procedures" within the so-called "tax proceedings". (REGULATE, INSPECT)
5. For years we have been told that capital gains are a special class of income that deserves special, \_\_\_\_\_ treatment in the tax code. (PREFERENCE)
6. How can organizations get the most value out of increased tax \_\_\_\_\_? (TRANSPARENT)

7. By law you are required to \_\_\_\_\_ with HM Revenue & Customs so they know they have to issue you with notice to complete a self-assessment tax return and send you tax statements when required. (REGISTRATION)
8. An efficient tax \_\_\_\_\_ ensures that all taxpayers are paying their fair share of taxes. (RECOVER)
9. Don't file a federal income tax return if you don't meet the filing \_\_\_\_\_ and aren't due a refund. (REQUIRE)
10. A tax \_\_\_\_\_ entity can be excused from a single or multiple taxation laws. (EXEMPTION)

**Exercise 3. Match the Russian terms with their English equivalents.**

- |      |                    |
|------|--------------------|
| 1.   | a. duty            |
| 2. , | b. tax unit        |
| 3.   | c. penalty         |
| 4.   | d. tax burden      |
| 5.   | e. tax return      |
| 6.   | f. tax deduction   |
| 7.   | g. tax authorities |

**Exercise 4. Match the Russian terms with their English equivalents.**

- |    |                     |
|----|---------------------|
| 1. | a. levy taxes       |
| 2. | b. tax rate         |
| 3. | c. tax evasion      |
| 4. | d. legal entity     |
| 5. | e. office tax audit |
| 6. | f. loophole         |
| 7. | g. tax break        |

**Exercise 5. Match the terms with their definitions. Give their Russian equivalents.**

- |                    |  |
|--------------------|--|
| 1. fiscal domicile | a. Tax on income imposed at source, i.e. a third party is charged with the task of deducting the tax from certain kinds of payments and remitting that amount to the government. |
| 2. indirect tax    |  |

- |                        |   |
|------------------------|---|
| 3. tax return          | b. Declaration of income, sales and other details made by or on behalf of the taxpayer. Forms are often provided by the tax authorities for this purpose. |
|                        | c. Term sometimes used to mean the same as residence  |
| 4. fiscal transparency | d. The postponement of tax payments from the current year to a later year.  |
|                        | e. Tax imposed on certain transactions, goods or events. Examples include VAT, sales tax, excise duties, stamp duty, services tax                         |
| 5. withholding tax     | f. A country which imposes a low or no tax, and is used by corporations to avoid tax which otherwise would be payable in a high-tax country.              |
| 6. tax haven           | g. "Looking through" an entity and attributing profits and losses directly to the entity's members.   |
| 7. deferment of tax    |   |

**Exercise 6. Match the terms with their definitions. Give their Russian equivalents.**

- |                   |   |
|-------------------|---|
| 1. tax compliance | a. Additional amount which is calculated on and added to the normal charge or levy.   |
| 2. taxable base   | b. Degree to which a taxpayer follows (or fails to follow) the tax rules of his country, for example by declaring income, filing a return, and paying the tax due in a timely manner. |
| 3. tax holiday    | c. A reduction in the assessment of tax, penalty or interest when it is determined the assessment is incorrect  |
| 4. surcharge      | d. A period of exemption from income tax for new industries in order to develop or diversify domestic industries.   |
| 5. refund of tax  | e. Tax repaid to a taxpayer   |
| 6. direct tax     | f. The thing or amount on which the tax rate is applied, e.g. corporate income, personal income, real property.   |
| 7. abatement      | g. Taxes imposed on income, capital gains and net worth.  |

**Exercise 7. Arrange the words in the right order to make tax administration terms. Translate them into Russian.**

1. audit tax documentary

2. number reference tax
3. gains capital tax
4. tax treatment favourable
5. Service Tax Federal
6. income system comprehensive tax
7. field inspection tax
8. legal exempt entity
9. tax schedule rate flat
10. Tax Tribunal National

**Exercise 8. Arrange the words in the right order to make tax administration terms. Translate them into Russian.**

1. Tax of Documents Classifier
2. tax federal lien
3. return personal tax
4. tax rate statutory
5. treaty double tax
6. Agreement Tax Exchange Information
7. tax consolidated return
8. profits tax undistributed
9. credit tax against
10. credit tax foreign

**Exercise 9. Make phrases by matching words from each column. Translate them into Russian. Make up sentences with these phrases.**

- |               |            |
|---------------|------------|
| 1. fiscal     | a. payment |
| 2. accounting | b. income  |
| 3. fixed      | c. person  |
| 4. deemed     | d. policy  |
| 5. legal      | e. abuse   |
| 6. prompt     | f. entity  |
| 7. tax        | g. period  |
| 8. individual | h. rate    |

**Exercise 10. Make phrases by matching words from each column. Translate them into Russian. Make up sentences with these phrases.**

- |                 |                 |
|-----------------|-----------------|
| 1. chargeable   | a. debt         |
| 2. tax          | b. income       |
| 3. professional | c. requirements |
| 4. bad          | d. tax          |
| 5. filing       | e. relief       |
| 6. imputed      | f. notice       |
| 7. fiscal       | g. code         |
| 8. loss         | h. preparer     |

**Exercise 11. Match the Russian verbs with their translation. Make up phrases with these verbs in English.**

- |       |                                      |
|-------|--------------------------------------|
| 1.    | a. comply with tax legislation       |
| 2.    | b. seize property                    |
| 3.    | c. file a tax return                 |
| 4.    | d. impose taxes                      |
| 5. /  | e. register with the tax authorities |
| 6.    | f. deduct tax                        |
| 7.    | g. exempt from taxes                 |
| 8.    | h. defer payment of taxes            |
| 9.    | i. assess taxes                      |
| 10.   | j. maintain tax records              |
| 11.   | k. abuse tax law                     |
| 12. / | l. avoid paying taxes                |
| 13.   | m. collect taxes                     |

**Exercise 12. Read the text. Fill in the gaps with the words from the list. Translate the text into Russian.**

a) regressive	b) rate	c) entity	d) tax allowances	e) tax burden	f) imposed
		g) fixed	h) luxury goods		

**Proportional, progressive, regressive, and lump-sum taxes**

An important feature of tax systems is the percentage of the \_\_\_\_\_1\_\_\_\_\_ as it relates to income or consumption. The terms progressive, regressive, and proportional are used to describe the way the \_\_\_\_\_2\_\_\_\_\_ progresses from low to high, from high to low, or proportionally. The terms describe a distribution effect, which can be applied to any type of tax system (income or consumption) that meets the definition.

- A progressive tax is a tax \_\_\_\_\_3\_\_\_\_\_ so that the effective tax rate increases as the amount to which the rate is applied increases.
- The opposite of a progressive tax is a \_\_\_\_\_4\_\_\_\_\_ tax, where the effective tax rate decreases as the amount to which the rate is applied increases. This effect is commonly produced where means testing is used to withdraw \_\_\_\_\_5\_\_\_\_\_ or state benefits.
- In between is a proportional tax, where the effective tax rate is \_\_\_\_\_6\_\_\_\_\_, while the amount to which the rate is applied increases.
- A lump-sum tax is a tax that is a fixed amount, no matter the change in circumstance of the taxed \_\_\_\_\_7\_\_\_\_\_. This in actuality is a regressive tax as those with lower income must use higher percentage of their income than those with higher income and therefore the effect of the tax reduces as a function of income.

The terms can also be used to apply meaning to the taxation of select consumption, such as a tax on \_\_\_\_\_8\_\_\_\_\_ and the exemption of basic necessities may be described as having progressive effects as it increases a tax burden on high end consumption and decreases a tax burden on low end consumption.

(en.wikipedia.org/wiki/Tax)

**Exercise 13. Read the text. Fill in the gaps with the words from the list. Translate the text into Russian.**

a) laws	b) pay	c) tax liabilities	d) assets	e) payable	f) indirect
g) tax legislation	h) exemptions	i) calculate	j) submitting	k) returns	
		l) domicile			

### **Job Profile: Tax Adviser (the UK)**

Tax advisers use their knowledge of tax legislation to provide advisory and consultancy services to clients, ensuring that they \_\_\_\_\_1\_\_\_\_\_ their taxes in the most efficient way and benefit from any tax advantages and \_\_\_\_\_2\_\_\_\_\_.

They keep up to date with changing tax \_\_\_\_\_3\_\_\_\_\_ and explain complicated legislation and its implications to their clients in simple terms.

There are two main types of tax advice:

- **corporate** - working for business clients to make sure they are not paying any more tax than is necessary;
- **personal** - providing advice to individual clients, some of whom are private clients with large \_\_\_\_\_4\_\_\_\_\_.

Clients can include large and small companies, partnerships, trusts and individuals.

### ***Responsibilities***

Tax advisers can work in compliance, ensuring a client meets all tax obligations by preparing and \_\_\_\_\_5\_\_\_\_\_ tax returns, tax computations and any other necessary forms. Alternatively, they may work in consultancy, advising clients on how to minimise their \_\_\_\_\_6\_\_\_\_\_.

The work of a tax adviser depends on the nature and size of the employer. Larger accountancy firms tend to adopt a structure that permits greater specialisation, whereas in smaller companies, the work may be more varied.

Initially, a graduate within a tax advisory role might focus on compliance activities, for example, completing tax returns and calculating the amount \_\_\_\_\_7\_\_\_\_\_, with movement towards consultancy and specialisation as their career develops.

Typical areas of activity include:

- researching, analysing and interpreting changing \_\_\_\_\_8\_\_\_\_\_ in both the UK and overseas;
- meeting with clients and collating information;
- working with tax law and revenue provisions;
- preparing and submitting compliance (tax) \_\_\_\_\_9\_\_\_\_\_ by the deadline;



- liaising and negotiating with HM Revenue & Customs (HMRC) on behalf of the client;
- providing consultancy services to high value private clients;
- creating tax strategies for clients and planning their financial futures;
- carrying out detailed computations to \_\_\_\_\_10\_\_\_\_\_ tax liability and advising on how to minimise a client's liability;
- establishing and structuring family trusts;
- estate planning and advising on tax residence and \_\_\_\_\_11\_\_\_\_\_ matters;
- providing guidance on \_\_\_\_\_12\_\_\_\_\_ taxation issues such as VAT, customs planning and environmental taxes;
- producing reports and presentations for clients.

Some self-employed tax advisers also offer their clients a range of accountancy services, such as bookkeeping, payroll and VAT.

([www.prospects.ac.uk/job-profiles/tax-adviser](http://www.prospects.ac.uk/job-profiles/tax-adviser))

**Exercise 14. Fill in the gaps in the text choosing the right options. Translate the text into Russian.**

**Progressive tax**

A progressive tax is a type of \_\_\_\_\_1\_\_\_\_\_ tax system that is set up so people with a higher \_\_\_\_\_2\_\_\_\_\_ income must pay a larger percentage of their income in taxes than those with low to moderate earning power.

Overall, the tax system in the United States is classified as using progressive taxes. There are six tax \_\_\_\_\_3\_\_\_\_\_ ranging from 10% to 35%, but the percentage of tax a person owes is only \_\_\_\_\_4\_\_\_\_\_ based on each dollar that falls within a particular monetary range. Under this system, the top 10% of tax payers are responsible for generating almost two-thirds of all income tax revenue. However, the tax system in the United States has been criticized as unfair because tax cuts made in 2001 and 2003 essentially rewarded wealthy investors by reducing the tax \_\_\_\_\_5\_\_\_\_\_ on earnings made from investment income.

Since a progressive tax system tends to appeal to the average person's sense of fairness, it should come as no surprise that most countries throughout the world use some form of progressive \_\_\_\_\_6\_\_\_\_\_. In China, the tax brackets under the progressive tax system range from 5% for the poorest citizens to 45% for the country's elite. In Japan, progressive taxes range from 5% to 40%. In Australia, tax brackets range from 0% to 45%. In New Zealand, citizens must pay between 19.5%

and 49% of their income in taxes. In the United Kingdom, progressive taxes range from 20% to 40% of a person's \_\_\_\_\_7\_\_\_\_\_ income.

Regressive taxes are the opposite of progressive taxes. Although a regressive tax appears to be a flat tax at first glance, this system is set up so that people with lower incomes are paying a higher percentage of their earnings in taxes. Sales taxes in the United States are one example of a \_\_\_\_\_8\_\_\_\_\_ tax, since poorer individuals are forced to pay a higher percentage of their income in taxes for clothing, transportation, and other daily essentials.

(www.wisegeek.com)

- |                   |                |               |               |
|-------------------|----------------|---------------|---------------|
| 1. a) revenue     | b) earnings    | c) profit     | d) income     |
| 2. a) spare       | b) disposable  | c) available  | d) receivable |
| 3. a) brackets    | b) levels      | c) grades     | d) classes    |
| 4. a) calculated  | b) deducted    | c) collected  | d) imposed    |
| 5. a) levy        | b) reclaim     | c) burden     | d) incentive  |
| 6. a) rate        | b) obligation  | c) liability  | d) taxation   |
| 7. a) collectible | b) chargeable  | c) tax-exempt | d) direct     |
| 8. a) flat        | b) progressive | c) regressive | d) underlying |

**Exercise 15. Fill in the gaps in the sentences with the most suitable option.**

- The \_\_\_\_\_ is the average rate at which an individual or corporation is taxed. It is calculated by dividing total tax expenses by the firm's earnings before taxes.  
a) marginal tax rate      b) effective tax rate      c) unitary tax system
- A tax rate is the percentage of an individual's \_\_\_\_\_ or a corporation's earning that is owed to the state, federal and in some cases, municipal governments.  
a) imputed income      b) pre-tax profit      c) taxable income
- A cascade tax is a \_\_\_\_\_ that is applied at every stage in the supply chain, without any deduction for the tax paid at earlier stages.  
a) turnover tax      b) hidden tax      c) concession tax
- Payment of taxes at rates levied by the state is compulsory, and \_\_\_\_\_, the deliberate failure to pay one's full tax liabilities, is punishable by law.  
a) tax incentive      b) tax evasion      c) tax deferral
- Governments in developing countries often use \_\_\_\_\_ to attract foreign investors and stimulate growth in certain industries.  
a) tax holidays      b) tax proceedings      c) tax treatment

6. The goal of using a / an \_\_\_\_\_ strategy is to reduce the family's gross tax level, at the expense of some family members paying higher taxes than they otherwise would.

- a) tax abuse                      b) income splitting              c) compensating tax

7. Individuals and corporations have the option to file income \_\_\_\_\_ to tax office electronically thanks to computer technology, software programs and secure Internet connections.

- a) statements                      b) gains                              c) returns

8. As a general rule, accounts will be reported as currently \_\_\_\_\_ when the taxpayer has no assets or income which are, by law, subject to levy.

- a) uncollectible                  b) tax-free                          c) tax due

9. In economics and political science, \_\_\_\_\_ policy is the use of government revenue collection (mainly taxes) and expenditure (spending) to influence the economy.

- a) monetary                      b) fiscal                              c) tax

10. States and many local governments add specific \_\_\_\_\_ taxes to cigarettes.

- a) sumptuary                      b) excise                              c) complementary

**Exercise 16. Read the text. Fill in the gaps with the words from the list. Translate the text into Russian.**

a) professional	b) tax law	c) regulated	d) preparers	e) enrolled	f) penalties
g) statement	h) revenue	i) verify	j) individual	k) negligence	

A **tax advisor** or **tax consultant** is a person trained in \_\_\_\_1\_\_\_\_. Some countries require tax advisors to \_\_\_\_2\_\_\_\_ the balance sheets of companies above a certain size. Individuals and companies usually require tax advisors to minimize taxation, to write a proper \_\_\_\_3\_\_\_\_ of income, to avoid learning the details of tax law in complicated financial situations themselves, or to learn the details of tax law from a \_\_\_\_4\_\_\_\_ advisor.

In the United States, paid tax return \_\_\_\_5\_\_\_\_ are regulated but not licensed by the Internal \_\_\_\_6\_\_\_\_ Service of the United States Department of the Treasury. There are \_\_\_\_7\_\_\_\_ for failure to disclose the identity of the preparer on the return, for the failure to give the taxpayer a copy of the return, and for \_\_\_\_8\_\_\_\_ in preparing the return.

Practice before the Internal Revenue Service is \_\_\_\_9\_\_\_\_ by *Treasury Department Circular No. 230, Regulations Governing the Practice of Attorneys, Certified Public*

*Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers before the Internal Revenue Service.* Most practice is limited to attorneys, Certified Public Accountants (CPAs), Enrolled Agents, and Enrolled Actuaries. Rendering tax advice is also regulated by Circular 230.

Failure to uphold these standards can result in disciplinary action ranging from reprimand to permanent disbarment from practice.

In the United States, the term "tax professional" is a generic term describing a variety of professions including \_\_\_\_10\_\_\_\_ agents, Certified Public Accountants (CPAs), financial planners, accountants, tax preparers, and some lawyers.

In the United States, by far the largest segment of tax professionals are \_\_\_\_11\_\_\_\_ tax preparers.

(en.wikipedia.org/wiki/Tax\_advisor)

**Exercise 17. Fill in the gaps in the text choosing the right options. Translate the text into Russian.**

### **Penalty for Tax Evasion in Canada**

Most people \_\_\_\_1\_\_\_\_ their annual return honestly and only take deductions and credits made available by the Income Tax Act. Unfortunately, some individuals and businesses \_\_\_\_2\_\_\_\_ taxes, and there are legal consequences for such actions.

Anurag Gupta, a Toronto business and tax lawyer with the law firm of Anurag Gupta Professional Corporation, says that evaders may face criminal \_\_\_\_3\_\_\_\_ including jail time and fines up to 200 percent of the amount that the offender may have been trying to avoid.

#### *Ignoring the Law*

Tax evasion occurs when an individual or business \_\_\_\_4\_\_\_\_ tax laws to avoid paying taxes. The Canada Revenue Agency (CRA) explains that evaders may report less income than they actually earn or state that their \_\_\_\_5\_\_\_\_ amounts are higher than allowed.

If a person earns income not documented by an employer, such as cash or self-employment income, and does not \_\_\_\_6\_\_\_\_ that income to the CRA on his return, he is committing tax evasion.

Additionally, if an individual is required to file a tax return, and fails to do so, that also may be considered tax evasion.

### *Evasion or Avoidance*

Tax avoidance is often associated with tax evasion, but the two actions are different. Avoidance occurs when an individual uses \_\_\_\_7\_\_\_\_ in the law to pay less taxes.

With tax avoidance, the tactics are technically legal but frowned upon by the legal system as these tactics are inconsistent with the overall spirit of the law, reports the CRA.

For instance, Bob owns a family business where his wife works as his secretary. If Bob overpays his wife to lower his household's tax \_\_\_\_8\_\_\_\_, this is considered tax avoidance.

### *Paying the Price*

The penalties for tax evasion are directly related to the offense. Section 238 of the Income Tax Act states the penalties for failing to file a tax return if you're required to do so. This offense results in a \_\_\_\_9\_\_\_\_ of anywhere between \$1,000 and \$25,000 and up to one year in prison.

Section 239 indicates that those convicted of tax \_\_\_\_10\_\_\_\_ could pay anywhere from half to double the amount that they were trying to save by cheating on their taxes. In addition to paying a fine, offenders may face up to two years in prison. ([turbotax.intuit.ca/tips/penalty-for-tax-evasion-in-canada-159](http://turbotax.intuit.ca/tips/penalty-for-tax-evasion-in-canada-159))

- |                   |               |               |
|-------------------|---------------|---------------|
| 1. a) file        | b) receive    | c) maintain   |
| 2. a) cheat       | b) deduct     | c) evade      |
| 3. a) penalties   | b) exemptions | c) offence    |
| 4. a) complies    | b) ignores    | c) imposes    |
| 5. a) return      | b) deduction  | c) obligation |
| 6. a) register    | b) charge     | c) report     |
| 7. a) loopholes   | b) clauses    | c) exclusions |
| 8. a) group       | b) level      | c) bracket    |
| 9. a) notice      | b) fine       | c) abatement  |
| 10. a) concession | b) cut        | c) evasion    |

**Exercise 18. Read the text. Fill in the gaps with the words from the list. Translate the text into Russian.**

a) capital gains	b) deductible	c) tax authorities	d) taxpayer	e) subtracted
f) declared	g) tax liability	h) withheld	i) sources	j) advance payment

## What is 'Tax Return'

A tax return is the tax form or forms used to report income and file income taxes with \_\_\_\_1\_\_\_\_ such as the Internal Revenue Service (IRS) in the United States. Tax returns allow taxpayers to calculate their \_\_\_\_2\_\_\_\_ and remit payments or request refunds, as the case may be. In most countries, tax returns must be filed every year for an individual or business that received income during the year, whether through wages, interest, dividends, \_\_\_\_3\_\_\_\_ or other profits.

Typically, a tax return begins with an identification section and is then divided into three main sections: income, deductions and credits. The return itself is only a few pages long, but depending on the type of income \_\_\_\_4\_\_\_\_ or the credits and deductions requested, there can be several schedules that need to be added on.

### *Income*

In this part of the return, the person preparing it must indicate all forms of income received during the year from all \_\_\_\_5\_\_\_\_. Salaries, dividends, royalties and, in many countries, capital gains must be reported.

### *Deductions*

Taxpayers will then be entitled to various deductions. These vary greatly from jurisdiction to jurisdiction, but typical examples include contributions to retirement savings plans, alimony paid and interest deductions on certain loans. For businesses, all expenses incurred in order to conduct the business is \_\_\_\_6\_\_\_\_.

At this point in the return, the \_\_\_\_7\_\_\_\_ will be able to determine his taxable income and tax payable.

### *Credits*

The next section of the return deals with any tax credits that the taxpayer may be entitled to. Again, these vary greatly from jurisdiction to jurisdiction, but there are often credits attributed for dependent children, old age pensions, education and many more. The total credits are \_\_\_\_8\_\_\_\_ from the taxpayer's tax payable.

The end of the return is used to calculate if the taxpayer has an amount to pay or is entitled to a refund. Most salaried employees have taxes \_\_\_\_9\_\_\_\_ at source on each pay, so they may be entitled to a refund if too much tax has been withheld during the year. Similarly, corporations and individuals in business may make quarterly \_\_\_\_10\_\_\_\_ to keep their tax balance running as close to \$0 as possible and avoid oversized tax bills at the end of the year. (<http://www.investopedia.com>)

## **Exercise 19. Translate the texts into Russian.**

### **A. Types of Taxes**

A business must pay a variety of taxes based on the company's physical location, ownership structure and nature of the business. Business taxes can have a huge impact on the profitability of businesses and the amount of business investment. Taxation is a very important factor in the financial investment decision-making process because a lower tax burden allows the company to lower prices or generate higher revenue, which can then be paid out in wages, salaries and/or dividends. Business may be required to remit the following types of taxes:

**Federal Income Tax:** A tax levied by a national government on annual income.

**State and/or Local Income Tax:** A tax levied by a state or local government on annual income. Not all states have implemented state level income taxes.

**Payroll Tax:** A tax an employer withholds and/or pays on behalf of their employees based on the wage or salary of the employee. In most countries, including the United States, both state and federal authorities collect some form of payroll tax. In the United States, Medicare and Social Security, also called FICA, make up the payroll tax.

**Unemployment Tax:** A federal tax that is allocated to state unemployment agencies to fund unemployment assistance for laid-off workers.

**Sales Tax:** A tax imposed by the government at the point of sale on retail goods and services. It is collected by the retailer and passed on to the state. Sales tax is based on a percentage of the selling prices of the goods and services and is set by the state. Technically, consumers pay sales taxes, but effectively, business pay them since the tax increases consumers costs and causes them to buy less.

**Foreign Tax:** Income taxes paid to a foreign government on income earned in that country.

**Value-Added Tax:** A national sales tax collected at each stage of production or consumption of a good. Depending on the political climate, the taxing authority often exempts certain necessary living items, such as food and medicine from the tax. (www.investopedia.com)

### **B. What is the 'Effective Tax Rate'**

The effective tax rate is the average rate at which an individual or corporation is taxed. The effective tax rate for individuals is the average rate at

which their earned income is taxed, and the effective tax rate for a corporation is the average rate at which its pre-tax profits are taxed.

### **BREAKING DOWN 'Effective Tax Rate'**

An individual's effective tax rate is calculated by dividing total tax expense from line 63 of his 1040 Form by his taxable income from line 43 of that form. For corporations, the effective tax rate is computed by dividing total tax expenses by the firm's earnings before taxes.

### **Which Taxes Are Included in Effective Tax Rates?**

In many cases, effective tax rate only refers to income taxes incurred by taxpayers and does not include sales tax or other types of taxes. However, in other cases, analysts include excise taxes as well payroll taxes. This can be especially useful when trying to compare the effective tax rate of two or more individuals, as income tax is only a portion of the total tax paid by most taxpayers. To calculate effective tax with these inclusions, add together all of the tax under consideration and divide it by the individual's income.

### **Effective Tax Rate Versus Marginal Tax Rate**

The marginal tax rate refers to the tax bracket into which a business's or individual's income falls. The effective tax rate is typically a more accurate representation of tax liability than an individual or business's marginal tax rate. For example, two companies with income in the same upper marginal tax bracket may end up with difference effective tax rates depending on the amount of their earnings that fall into each tax bracket. ([www.investopedia.com](http://www.investopedia.com))

## **C. Super-rich evade on average nearly third of their due tax**

The richest 0.01% of households, involving those with more than £31m assets, evade paying 30% of their taxes on average, according to an academic study of tax evasion based on data revealed in the Panama Papers and the leaks concerning the HSBC Swiss private bank. Economists, who matched people named in the leaks with public wealth records, found that the probability to hide assets rises very sharply with wealth.

The paper found that the super-rich evaded more than 10 times as much of their due taxes as the wider population, which on average evaded 2%.

Most of the tax was evaded by hiding wealth in offshore accounts, which the researchers said was extremely concentrated in the hands of only the very wealthy,



who could afford accountants, lawyers and bankers to advise them on setting up such holdings.

“The probability to hide wealth offshore rises very steeply within the top 1%,” the paper, entitled Tax Evasion and Inequality, said. “By our estimate, the top 0.01% of the [wealth] distribution owns about 50% of [the wealth].”

The study, led by researchers at the Norwegian University of Life Sciences and the University of Copenhagen, only studied the wealth of people in Norway, Sweden and Denmark, where detailed records of personal wealth are available. The researchers suggested that similar or higher levels of tax evasion were likely to be found among the super-rich in other countries.

The researchers said they found that about 40% of the richest 0.1% of households in Norway hid on average about 50% of their assets offshore. “Because most Latin American and many Asian and European economies own much more wealth offshore than Norway, the results found in Norway are likely to be lower than for most of the world’s countries,” they said. “Our results highlight the need to move beyond tax records to capture the income and wealth of the very rich, even in countries where tax compliance is generally high.”

The researchers, led by Annette Alstadsaeter, said their goal was to “correct global inequality statistics in a systematic way so as to better capture the very rich.”  
([www.theguardian.com/world/2017/jun/01/super-rich-evade-on-average-nearly-third-of-their-due-tax](http://www.theguardian.com/world/2017/jun/01/super-rich-evade-on-average-nearly-third-of-their-due-tax))

## Exercise 20. Translate the texts into English.

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## Exercise 21. Render the articles.

### 1. Russia loses £52bn a year in tax evasion and illegal transfers, says bank chief

Russia loses up to 1 trillion roubles (£20bn) a year in tax evasion schemes with a further £32bn leaving the country illicitly in 2012, senior officials have said.

The central bank governor, Sergei Ignatiev, said that "shadowy operations" to transfer money abroad were worth the equivalent of about 2.5% of Russia's annual GDP.

"This could be the payment for the delivery of drugs or other goods forbidden to bring in too Russian territory. It could be payment for illegal imports í bribes and kickbacks for civil servants," he said.

Ignatiev, who will step down in June after 11 years in the job, also said that about 50% of the illegal transfers could be tracked back to one organisation, which he refused to identify.

"Our analysis shows that more than half of these shadowy operations are carried out by firms indirectly or directly linked with each other by payments. An

impression is created that they are all controlled by one very well organised group of individuals," he told Vedomosti newspaper.

Ignatiev said that bogus "one-day" companies, some registered at remote addresses to unknowing people, were often involved in illegal transactions.

People using the one-day companies, called *odnodnevnik* in Russian, do not pay taxes at a municipal, regional or federal level.

"Odnodnevnik firms are simply the misfortune of our economy," he said. There are 3.9m companies registered with the Federal Tax Service but only 2m are real organisations, he added.

And even of those 2m, about 11% do not pay any taxes at all and 4-6% pay only a symbolic amount of tax.

Deputy Prime Minister Igor Shuvalov said the companies were responsible for a severe drop in tax revenues. "Look at the central bank's data: the budget is down by half-a-trillion to a trillion roubles because of a link with the blossoming business of these one-day companies," Shuvalov was quoted as saying.

Russia recorded a net capital outflow of £37.2bn in 2012, down from £52.8bn in 2011.

Russian business is known for a lack of transparency. Companies have for decades used such complex holding structures that it is frequently impossible to determine the beneficial owner.

Cyprus is traditionally the offshore destination of choice for Russian firms, with the consequence that, officially, the island is the largest foreign investor in Russia.

Natalya Orlova an economist with Alfa Bank in Moscow, said Ignatiev's figures were "very big" but should be seen in the context of Russia's corrupt economy as a whole, which experts estimate as worth between 5% and 10% of GDP (around £64bn to £128bn).

Russia is seen as one of the most corrupt countries in the world, ranking 133rd out of 176 on Transparency International's Corruption Perceptions Index.

([www.theguardian.com/world/2013/feb/21/russia-loses-52-billion-tax-evasion](http://www.theguardian.com/world/2013/feb/21/russia-loses-52-billion-tax-evasion))

## **2. How Detroit Deadbeats Taught Tax Collectors That Threats Really Work**

Almost half of the city's taxpayers have been ignoring the local income tax.

by Ben Steverman

For a while there, Detroit's income tax might as well have been optional.

About 400,000 people's residents and anyone working inside the city limits are required to file a tax return to Detroit. Almost half of them weren't doing so. Perhaps that explains, in part, why the city filed for bankruptcy four years ago.

Detroit "sent out thousands of letters to people," said Debra Pospiech, the city's deputy treasurer for tax. "People just threw them out."

Getting people to pay taxes is a problem everywhere, of course, but Detroit had a particularly hard time going after scofflaws because budget cuts decimated its ability to enforce the law. Even the people who paid up created logistical havoc for beleaguered city bureaucrats. In Detroit, the only way to file taxes was on paper. An irritation for taxpayers turned into a nightmare for city workers, who spent hours typing data into computer systems.

Detroit's tax trouble became the basis of an economic experiment last year. The city decided to send out more than 7,000 mailings to deadbeat tax filers, people whose 2014 tax returns were already a year late. The city suspected each delinquent owed at least \$350. Taxpayers were randomly selected to receive one of six different letters, each with a different message in a black box on the mailing.

One message appealed to residents' civic pride, as the city tried to bounce back from its bankruptcy: "Detroit's rising is at hand. The collection of taxes is essential to our success."

Another simply made clear that the city's tax collectors had detailed information on the deadbeats: "Our records indicate you had a federal income of \$X for tax year 2014." Detroit residents owe 2.4 percent of their incomes to the city, after a \$600 exemption. Nonresidents who work in Detroit pay a rate of 1.2 percent.

And one message made a bold declaration: "Failure to file a tax return is a misdemeanor punishable by a fine of \$500 and 90 days in jail."

It turned out that the threat worked best. More than 10 percent of taxpayers responded to the letter mentioning a fine and jail time, more than three times the response rate of a basic control letter.

Ben Meiselman, a graduate student at the University of Michigan's economics department, took a desk in the city tax office to run the experiment. He wrote the messages included in the mailings to reflect behavioral economics research. "I find that a single sentence, strategically placed in mailings to attract attention, can have an economically meaningful impact on tax filing behavior," Meiselman wrote in a working paper that will eventually become a chapter in his doctoral dissertation.

Giving details of a taxpayer's income boosted the response rate by 63 percent. But a letter that combined a threat with income information was less effective than a threat by itself. "Keeping it simple seems to be the key," Pospiech said. Appeals to civic pride fell flat, with a response rate just 0.8 percentage points higher than that of a basic letter.

Detroit still has a long way to go, even if it manages to apply the results of the experiment and triple the response rate from tax delinquents. About 6 percent of U.S. taxpayers break the law by not filing with the Internal Revenue Service each year, according to research by economic consultant Brian Erard. In Detroit, Meiselman estimated, 46 percent of taxpayers hadn't submitted their 2014 returns by the due date in the following year—and things were getting worse.

Detroit's next step was to back up threats with action. No matter what letters from the city suggest, taxpayers could maintain a sense of impunity. The city hadn't undertaken an audit or tax investigation in more than a decade. The city tax office, which once had a staff of about 70, was down to fewer than three dozen employees who spent all their time processing paper returns.

The department recently reorganized—last year the state of Michigan took over collecting and processing Detroit's current-year returns—to free up city employees to collect unpaid taxes. Detroit also allowed taxpayers to file electronically for the first time, and 77 percent of filers took advantage. The city has sent out 15,000 letters since July 2016 and has collected \$5.3 million through letters, audits, and investigations. Some of the amounts collected are significant, particularly for those who have dodged taxes for years. In one case, a taxpayer agreed to pay \$400,000.

Detroit also started filing misdemeanor charges and lawsuits in small claims court to get its tax money. Officials noticed that only one in five residents in several high-end apartments buildings had filed income taxes. The city persuaded a judge to issue an order requiring landlords to turn over tenant information.

So far the more aggressive approach seems to be working. The number of residents filing returns more than doubled last year from the previous year. Filing by nonresidents rose 37 percent. It's too early to tell how seriously taxpayers are taking their filing obligations this year. City returns from 2016 are due, along with state and federal returns, by April 18.

City officials are optimistic. In the past, "people knew we weren't coming after them," Pospiech said. "Now we are following up on those threats."

(<https://www.bloomberg.com/news/articles/2017-04-13/>)

### **3. The IRS gave a total of nearly \$1.1 million in bonuses to more than 1,146 employees**

Andrew Harrer / Bloomberg

WASHINGTON — It's not difficult to get a bonus if you work for the Internal Revenue Service — even if you haven't paid your own taxes.

The IRS handed out a total of nearly \$1.1 million in bonuses in a 27-month period to more than 1,146 employees who had been disciplined for failing to pay taxes, according to an inspector general's report.

"This is outrageous," said Rep. Sam Johnson (R-Texas). "The IRS is essentially telling its employees: Break the law and we will reward you."

The employees were among more than 2,800 at the agency who received performance awards within one year of disciplinary action, such as suspensions or written reprimands for drug use, filing fraudulent time sheets or other misconduct, the report found.

Overall, about two-thirds of IRS employees received cash bonuses and other performance awards, such as extra time off, in 2011 and 2012, the report said.

But it was the payments to agency workers who had been disciplined for "substantiated federal tax compliance problems" that drew bipartisan outrage Wednesday.

Those employees also received awards of more than 10,000 hours of extra time off and 69 faster-than-normal pay grade increases from Oct. 1, 2010, to the end of 2012.

"How can we expect the American people — many of whom are struggling to make ends meet — to trust their government when they learn that the very agency charged with collecting their tax dollars is rewarding employees who haven't paid theirs?" Sen. Joe Manchin III (D-W. Va.) wrote to IRS Commissioner John Koskinen.

The performance awards did not violate the law, said J. Russell George, the Treasury inspector general for tax administration.

The IRS' contract with the National Treasury Employees Union states that disciplinary action or investigations do not preclude an employee from receiving a bonus or other performance award unless it would damage the integrity of the agency.



But George said that "providing awards to employees who have been disciplined for failing to pay federal taxes appears to create a conflict with the IRS's charge of ensuring the integrity of the system of tax administration."

The IRS already has been under intense criticism since agency officials said last year that employees improperly targeted applications from conservative groups seeking tax-exempt status.

The bonuses now add "bad, bad news for the agency's public image," said Pete Sepp, executive vice president of the National Taxpayers Union.

IRS employees disciplined for failing to pay back taxes should not be denied bonuses, but the money should be diverted to pay what they owe, Sepp said.

"If we're assuming that the awards are given out on true merit í then say, 'Sorry, you owe \$800 on a lien and you've exhausted all your appeals; your reward is reduced accordingly,'" he said.

Federal workers have been criticized in recent years for failing to pay taxes, which help pay for the agencies that employ them.

As of the end of the 2011 fiscal year, federal employees and retirees combined owed \$3.5 billion in delinquent taxes, according to the IRS.

Rep. Jason Chaffetz (R-Utah) has been pushing a bill that would allow the firing of federal employees who are seriously delinquent on their taxes and prohibit the federal government from hiring anyone with such a debt. The legislation passed the House on a bipartisan 263-114 vote in 2012 but was not taken up by the Senate.

In light of the inspector general's report, Chaffetz renewed his call for the legislation.

"The indiscriminate awarding of bonuses to the very people IRS should be firing is unacceptable," Chaffetz said.

This isn't the first time the IRS has had problems with making payments to workers who owe taxes. An inspector general's report in August found that about 5% of the agency's contract employees owed a total of nearly \$5.4 million in back taxes.

The IRS issued a statement saying that it already was making changes to its bonus policy.

"The IRS takes seriously our unique role as the nation's tax administrator," the agency said. "We strive to protect the integrity of the tax system, and we recognize the need for proper personnel policies."

The IRS said it had developed a policy linking conduct to performance awards for executives and senior-level employees.

Even without such a policy, during the previous four years, "the IRS has not issued awards to any executives that were subject to a disciplinary action," the agency said.

The IRS said it is considering a similar policy for the rest of the agency's workforce, but that would have to be negotiated with the National Treasury Employees Union.

The union's national president, Colleen M. Kelley, defended the bonuses.

She said employees of the Treasury Department, of which the IRS is a part, had a tax delinquency rate of 1.08% in 2011, the most recent data available. That was lower than any other federal agency and well below the public's 8.2% delinquency rate.

(<http://articles.latimes.com/2014/apr/24/business/la-fi-irs-bonuses-20140424>)

#### **4. L.A., where tax breaks come easy**

Nearly a decade ago, when Los Angeles gave a \$270-million tax break to the developer of a 1,000-room luxury hotel at L.A. Live, city leaders described the deal as essential to spur downtown redevelopment and help the struggling Convention Center.

Today, however, downtown is booming and its hotels are doing brisk business, yet developers continue to line up for taxpayer handouts. Four more hotel projects have been approved for tax breaks worth half a billion dollars over the next two decades — money that otherwise would pay for police and fire services, street paving and tree trimming. Three more developers have asked for subsidies, and the City Council will vote Wednesday to study one of the requests. And it's not just hotels: In March, city leaders let mall developer Westfield keep \$59 million in city taxes for building a new shopping center in suburban Woodland Hills.

Convention Center Executive Director Robert "Bud" Ovrom recently took on the touchy subject of tax incentives. He agrees that L.A. needs more hotel rooms, but he questioned whether the projects seeking subsidies would include enough new rooms to help the Convention Center attract bigger, more profitable events. Ovrom called for a fresh look at how Los Angeles is using incentives downtown, but he raised points that should be considered citywide.

The City Council and the mayor run the risk of making tax breaks for big developers the norm. There is no comprehensive policy guiding decisions on when

the city should consider subsidies to encourage economic development, which projects merit help or what taxpayers should get in return. As it is now, developers go to City Hall, pay for an independent economic analysis, and, if they have a "funding gap," the city will generally allow them to keep about 50% of the new sales, hotel, utility and property taxes the project will generate for 25 years.

Proponents of the tax breaks say the city benefits from the construction, and that 50% of something is better than 100% of nothing. But that assumes developers won't build in L.A. without an incentive. Perhaps that's true of some projects in some communities; undoubtedly subsidies can play an important role in spurring economic development.

But would Westfield really have walked away from the fancy shopping center it wanted to build in Woodland Hills if it hadn't gotten a tax break? It had already put nearly a decade into the process and gone through an environmental review, and it owns another shopping center directly across the street that houses Neiman Marcus and Cartier.

The city needs a more careful and studied approach to the process so that developers don't immediately head to City Hall seeking subsidies they don't need and that don't bring benefits for taxpayers.

<http://articles.latimes.com/2014/apr/22/opinion/la-ed-hotel-tax-breaks-los-angeles-20140423>

## **5. Need of Cash, India Chases \$117 Billion in Elusive Back Taxes**

Thomson Reuters | Last Updated: April 18, 2016 11:23 (IST)

New Delhi: The finance ministry is asking for regular progress reports from tax collectors and has set a date for an amnesty to pay off arrears on undeclared domestic assets, as the government intensifies efforts to meet its ambitious deficit target. A series of announcements in recent weeks aims to streamline tax collection in a country where the tax-to-GDP ratio, at 16.6 percent, is among the lowest among emerging economies. Only about one in 18 earning individuals pays tax. Arrears now amount to some \$117 billion, roughly four times what they were six years ago.

Yet one tax official estimated only 15-20 percent of that was realistically recoverable, with many major debtors simply unable to pay. Even the lower target would take

years to achieve, he said, given India's sluggish legal process. Tax officials may go increasingly after entities they think can pay, with possible repercussions for long-running disputes between the government and companies such as Vodafone and Cairn Energy.

In the union budget, Finance Minister Arun Jaitley stuck to an ambitious pledge of reducing the fiscal deficit to 3.5 percent of gross domestic product from 3.9 percent, and improved tax collection could help meet that target. "The finance minister asks almost every week how much tax arrears have we recovered," said a senior finance ministry official, requesting anonymity as he was not authorised to speak to the media on tax issues. Hasmukh Adhia, the top bureaucrat in charge of revenue and a long-time aide of Prime Minister Narendra Modi, is driving the effort, officials said. Adhia did not respond to an interview request.

"The government has to recover the arrears in any case from the taxpayers from whom it is due," finance ministry spokesman D.S. Malik said.

#### BIG SPENDER

Mr. Jaitley faces big spending demands, including paying for a 24 percent wage hike for nearly 10 million government employees and pensioners this year. Tax arrears amount to about 6 percent of India's \$2 trillion GDP and are more than the government's market borrowing target of \$90 billion this fiscal year. In fiscal year 2015/16, authorities recovered nearly \$5.2 billion, according to tax department data as of February 29. But they also raised new tax demands of over \$18 billion.

Some current and former finance ministry officials said they were reluctant to reach settlements or write off losses even when it was clear the money was lost, fearing political retribution and corruption investigations. Instead, they said they made new demands for back taxes to be paid, raised targets and left others to clean up the mess. One official said he did not know of a single decision to write off a major tax demand in the last 10 years. PM Modi's government is trying to modernise the system, tax experts said. For example, tax officials have been told to not appeal tax tribunals' decisions involving dues of up to 1 million rupees, and Jaitley has offered to settle outstanding tax disputes out of court, although it comes with conditions. He has promised not to invoke a contentious rule on retrospective taxes, at the heart of a bruising dispute with Vodafone, in future. "We want people to clean up their taxation issues," Jaitley said last month, while

warning of "sleepless nights" to evaders using offshore accounts. He also offered a three-month amnesty to taxpayers, starting June 1, to pay off taxes on undeclared domestic assets.

A similar scheme announced last year to declare foreign assets yielded recovery of less than \$1 billion in extra taxes. Amit Maheshwari, a Delhi-based corporate tax consultant, said the government could do little to settle past tax disputes, but was trying to reduce future litigation. "The government is trying to project an investor- and taxpayer-friendly regime."

#### BIG SUMS

Some 4.4 trillion rupees in outstanding tax dues are owed by companies and the remaining 3.3 trillion by individuals, tax department data obtained by Reuters show.

Last year the government told parliament that just 17 people owed the government 2.14 trillion rupees, with each more than 10 billion rupees in arrears. Among them is Hasan Ali Khan, a businessman who raised racing horses for a living. In 2007, tax officials raided his offices in Maharashtra state for not filing returns since 2001, and charged him with tax evasion and money laundering violations. They also slapped a back tax demand on Khan of nearly 370 billion rupees. After a near decade-long battle, which saw Mr. Khan imprisoned for more than four years, the tax tribunal cut his liability to 30 million rupees. In the ruling on Feb. 29 the tribunal said tax authorities did not have evidence of his income to back their demand and should reassess his case. Mr. Khan was not available for comment. His lawyer said he planned to appeal the new tax demand.

(<http://profit.ndtv.com/news/economy/article-in-need-of-cash-india-chases->)

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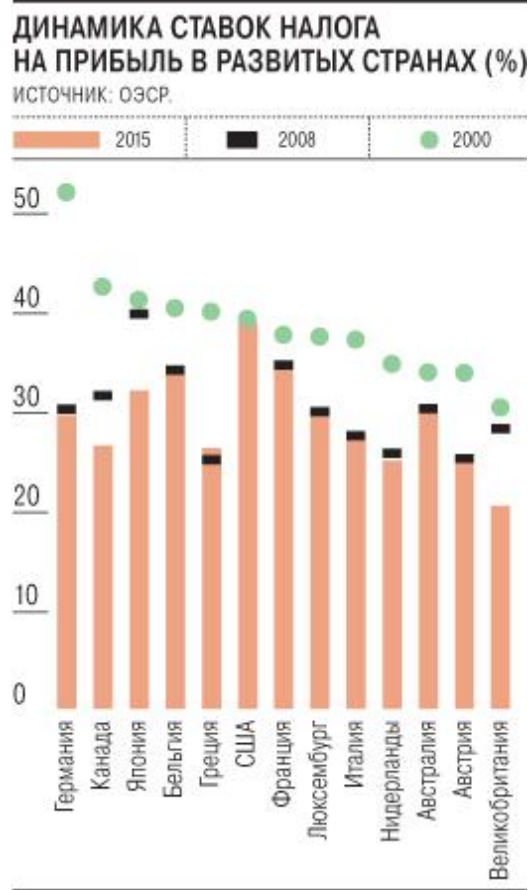
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