

Unit 1

ACCOUNTING SERVICES

In this unit you will

- ▶ learn about accounting practices
- ▶ learn and practice accounting related vocabulary
- ▶ learn about different accounting services
- ▶ learn the vocabulary for balance sheets, income table, and some taxes
- ▶ do some calculations



Part 1: The Accounting Office



1a Class Discussion

1. What does an accounting office do?
2. What services do they offer?
3. Where can an accountant work?

1b Check the meaning

Study the following words using your glossary.

audit accounts annual/annually bookkeeping
 contribution corporate declaration deduction
 financial statement income tax return payslip
 payroll provident fund registration salary
 social security tax VAT wages

1c Fill in the blanks

Fill in the blanks with the above words.

1. All employers must pay and contributions.
2. A shows financial information about a company.
3. A shows an employee's wages and deductions.
4. Consumers pay on products and services they buy.
5. Income tax return forms are filled
6. All companies must pay tax.
7. An official check on a company's accounts is called



a pay slip

1d Complete the mindmap

Work with your partner and use the information from the text to complete the mindmap on the next page.

Ramadan Brothers Investment Consultancy & Accounting Services

We offer auditing services according to international auditing standards. We keep company accounts. Our accounting services include bookkeeping, preparation of financial statements and payroll. Our payroll service includes calculating social security and provident fund contributions, preparing wages and salary calculations and payslips. We also prepare value added tax declarations, corporate tax declarations, and annual income tax returns. We offer tax planning and tax advice. We also offer assistance in business start-up and company registration.

1e Find the meaning

Below is a conversation between Didem, an accountant from Ramadan Brothers and John, a client. Find the meanings of the **highlighted words**.

- Didem** Please sit down. How can I help you?
John I have a small **advertising company** called Green Advertising. We are a startup company and we'd like to get accounting services from you.
Didem Thanks for choosing us. We can certainly help you with your bookkeeping. How many employees do you have?
John We have two graphic designers and one **sales and marketing** staff.
Didem OK. We can also prepare your payroll.
John Good! How about our financial reports?
Didem Certainly! We can prepare your **balance sheets** and **income statements**. Do you also need help with tax **issues**?
John Yes, we definitely do. What is your **fee** for the whole service?
Didem Let me have your business card and I'll e-mail the details to you.



1f Check your comprehension

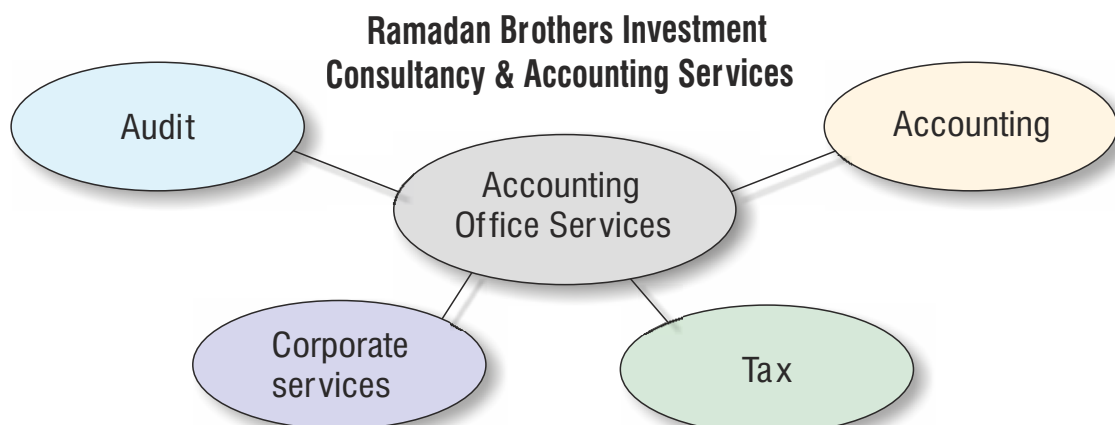
Answer the following questions according to the dialogue.

1. What kind of a company does John have?
2. How old is the company?
3. How many employees does John have?
4. What services can Ramadan Brothers offer John's company?
5. What is their fee?

1g Put in order

John and Didem have a phone conversation the next day. The conversation is jumbled. Work with your partner and rewrite it with the names.

- a) OK. I'll come to your office as you have all the documents. I'll be there at 15:00.
- b) Tomorrow afternoon is fine.
- c) Good morning Didem. I've received your e-mail and your fee is fine.
- d) See you then.
- e) Great! We should start with preparing your company's balance sheet then. Shall we meet tomorrow?



Part 2: Financial Statements

2a Class Discussion

On the next page Ramadan Brothers Accounting Office is preparing the balance sheet (bilanço) for Green Advertising. They use the Uniform Chart of Accounts (Tek Düzen Hesap Planı).

Check the Turkish equivalents of the account names. Then study the table with your partner.

2b Complete the table

In a balance sheet the total of assets and the total of liabilities and shareholder's equity must be equal (=).

The formula is: $Assets = Liabilities + Shareholders' Equity$

1. Work as a group to calculate the shareholder's equity and share capital, and fill in the table.
2. On **1st March 2014** Green Advertising bought a car (**254 Motor Vehicles**) with a short term bank loan (**300 Bank Loans**) of **13.000**. Make these three changes to the table and calculate the totals again.



2c Calculate the income

The following picture from Wikihow shows how to calculate income. First find the meanings of the new words in your glossary. Then work with your partner to study the calculation and find the income.

revenue:

expenses:

gross revenue:

cost of goods sold:

gross profit:

operating expenses:

operating income:

What's the income?

Gross Revenue	\$ 10,000	
Less: Cost of Goods Sold	\$ 3,000	
Gross Profit	\$ 7,000	
Less: Operating Expenses	\$ 1,500	
Operating Income	\$ 5,500	
Add: Other Revenue	\$ 1,000	
Less: Other Expenses	\$ 2,500	

(less: - add: +)

2d Complete the income table

Work as a group to study the income table (gelir tablosu) for Green Advertising and fill in the missing information according to the following text.

1. In March 2014, Green Advertising Company's net sales was \$10,000. They spent \$200 in advertising, \$4,000 for salaries and wages, \$1,000 on equipment, and an additional \$700 for other expenses.

What is their income (before tax) for March?

2. In April the company's sales increased (↑) by \$2,000 and the cost of goods sold by \$500. Advertising and payroll expenses stayed the same. No office supplies, furniture or equipment was bought. The company made \$500 extra revenue from commission.

What is their income (before tax) for April?

3. **How did the company do in one month?**

GREEN ADVERTISING BALANCE SHEET

31 December 2013

ASSETS		LIABILITIES	
CURRENT ASSETS	\$ 8.000	SHORT TERM LIABILITIES	\$ 4.000
100 Cash	2.000		
102 Banks	5.000	321 Notes Payable	4.000
153 Commercial Goods	1.000		
		LONG TERM LIABILITIES	\$ 8.000
NON-CURRENT ASSETS	6.000	400 Bank Loans	3.000
		421 Notes Payable	5.000
255 Furniture and Fixtures	6.000		
		SHAREHOLDER'S EQUITY	
		500 Share Capital	
Assets Total		Liabilities and Shareholder's Equity Total	

2e Class Discussion

Net income is shown in the balance sheet as:

590 net profit for the period

591 (-) net loss for the period

How would you show income in the Green Advertising Balance Sheet?

Remember that the total of assets and the total of liabilities + shareholder's equity must be equal.

Income Statement

Green Advertising

March and April 2014

REVENUE	March 2014	April 2014
Net sales	\$	\$
Cost of goods sold	\$ 2.000	\$
Gross Profit	\$	\$
OPERATING EXPENSES		
Advertising	\$	\$
Payroll	\$	\$
Office Supplies	\$ 350	\$
Furniture and equipment	\$	\$
Total expenses	\$	\$
Operating Income	\$	\$
OTHER REVENUE AND EXPENSES		
Other revenue	\$ 0	\$
Other expenses	\$	\$ 0
Total income before tax	\$	\$
Taxes		
Net income/loss for the period		



Part 3: Frequently Asked Questions

FQAs (Frequently Asked Questions): Sıkça Sorulan Sorular



3a Class Discussion

What different types of tax (vergi) do you know?

3b Match the questions with the answers

The following FQA's are from Ramadan Brothers website. Work with your partner to match the questions and their answers.

Frequently Asked Questions

1. What are the Value Added Tax rates?
2. What is the corporate profit tax rate?
3. What is the minimum wage?
4. How much is income tax?
5. What are the social security and provident fund contribution rates for full time workers?
6. How much are the rents?

3c Let's calculate

1. If Green Advertising's taxable income is \$10,000 at the end of the year, what would their net income be after corporate and income tax?
2. If you buy bananas for 3TL, coffee for 20TL, washing liquid for 8TL, a bar of chocolate for 3TL, and a bottle of water for 5TL, what do you pay in total including VAT?
3. What would be the approximate rent for a 120 square metre office per month?
4. If an office employee's gross salary is 4,000 TL what would the approximate net salary be after social security and provident fund deductions?

Answers

- a. The basic corporate tax rate is 10% for all companies. In addition, they must pay 15% on net taxable income after corporation tax.
- b. This changes between 10% and 40% depending on the income.
- c. These are: 0% (e.g. plain wheat bread, milk, rice and beans, meat), 5% (e.g. biscuits, coffee, tea, bottled water, fruit and vegetables, dairy products, processed meat such as salami and sausages, olives and olive products), 10% (e.g. chocolate, fruit juices, cakes and puddings, crisps) 16% (e.g. cleaning products, toothpaste), and 20% (cigarettes, alcohol, cosmetics)
- d. Office space usually costs around \$120 per square meter per annum.
- e. The employer's social security contribution is minimum 10.5% (this increases depending on the safety risk factor at work) and employee 's is 9%. Provident fund contributions paid by the employer is minimum 4% on the gross wage and employee's is minimum 4%.
- f. The minimum wage is 1,560 TL gross, which is approximately \$700

Revision

1 Write sentences

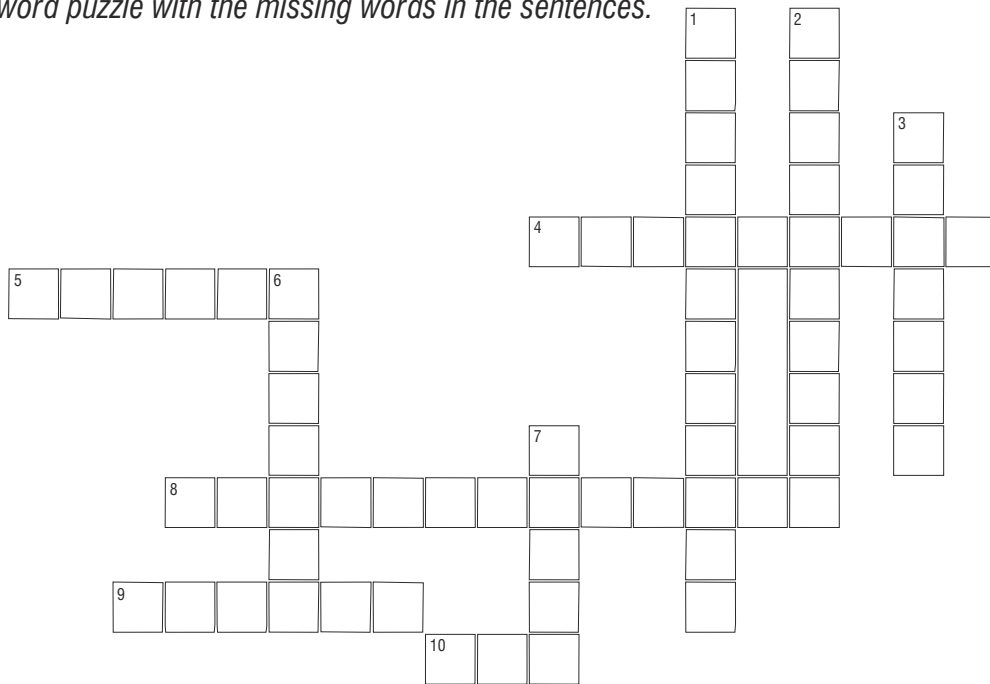
Choose 5 words from the image and use each one in a sentence.

- 1
- 2
- 3
- 4
- 5



2 Fill in the blanks and solve the puzzle

Complete the crossword puzzle with the missing words in the sentences.



ACROSS

- 4 A balance sheet and income statement are statements.
- 5 Net is gross sales less cost of sold products less expenses plus other revenue.
- 8 An employee's net salary is gross salary less social security and provident fund
- 9 The total of liabilities and shareholder's equity must be equal to
- 10 Customers pay on the products and services they buy.

DOWN

- 1 All companies must submit their VAT to the tax office.
- 2 A payslip shows an employee's salary and
- 3 A new company is called a
- 6 Advertising costs is an operating
- 7 An accountant can do an annual to check a company's accounts.