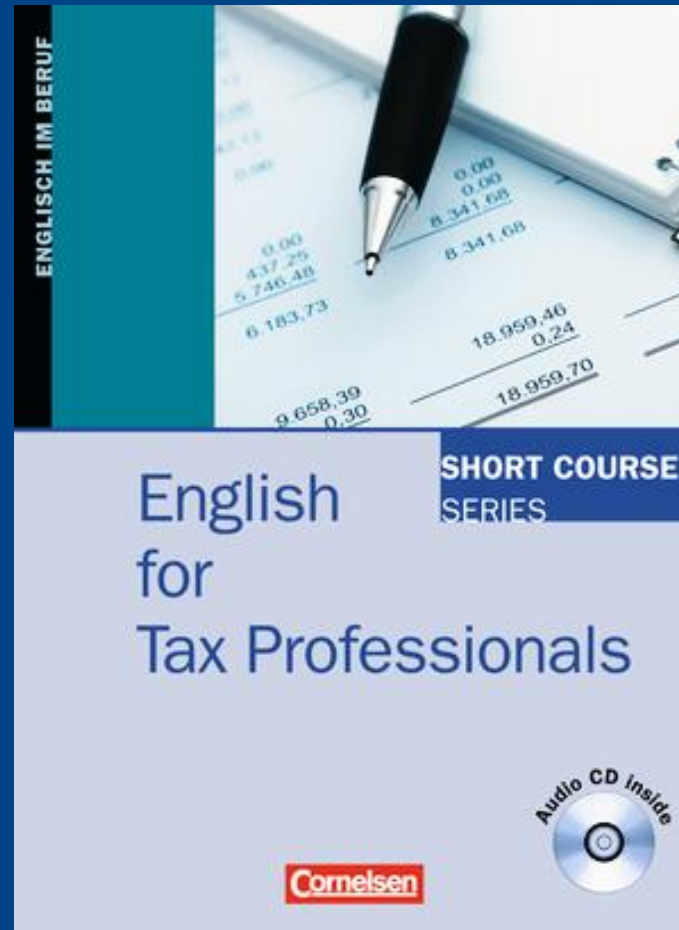




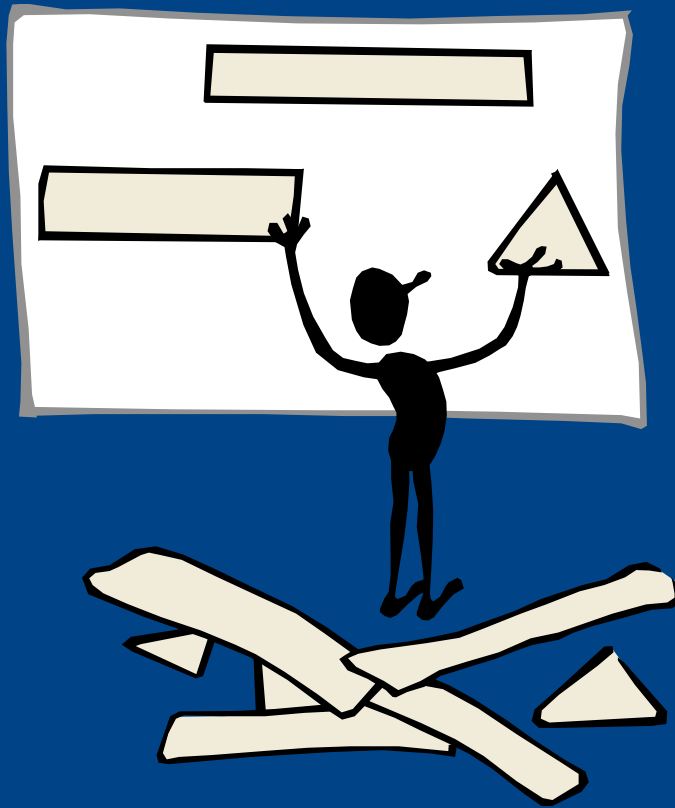
# THE WORLD'S MOST SECRETIVE TAX HAVENS



# Welcome to

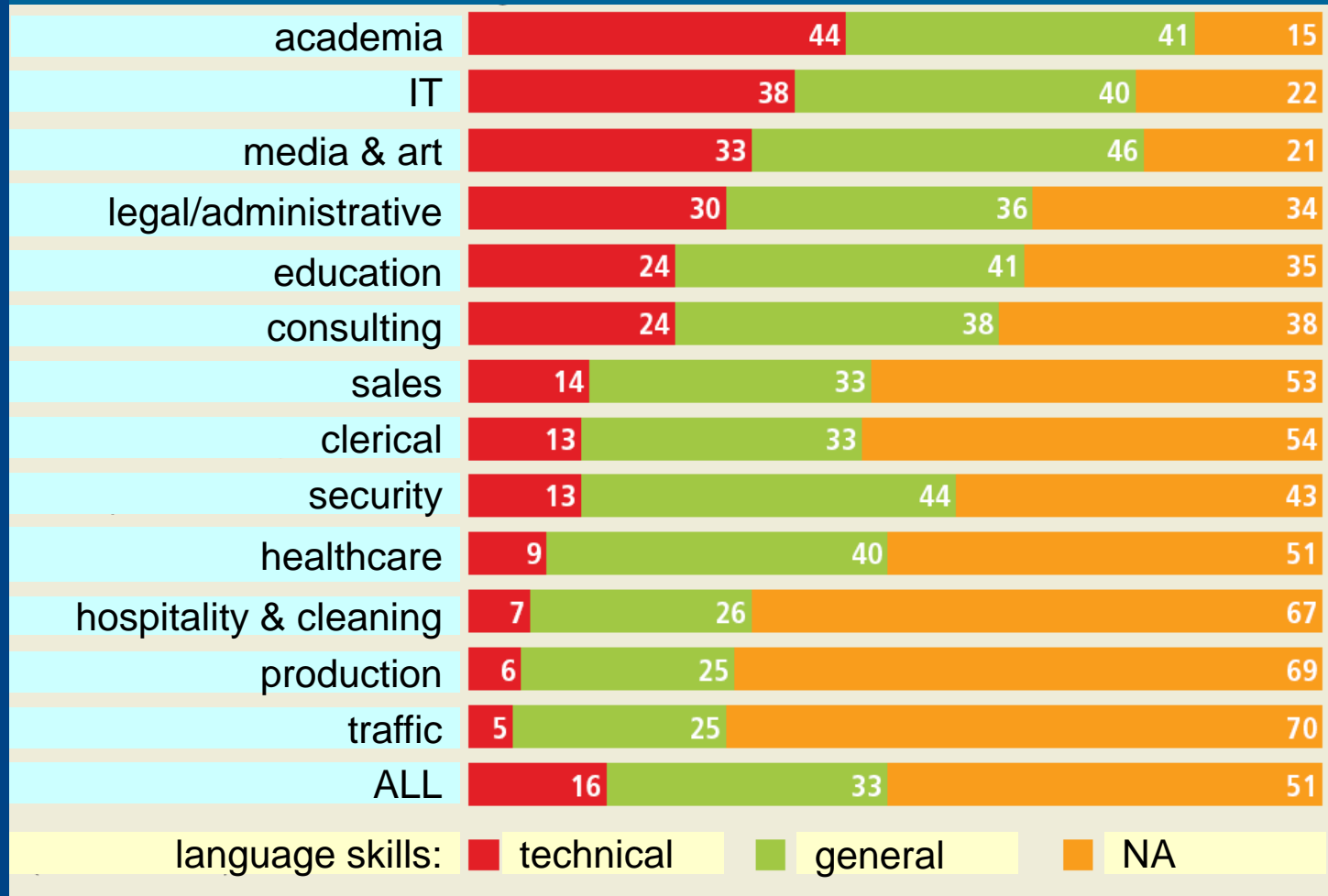


# Coming up



- ▣ Why?
- ▣ How?
- ▣ Can I?

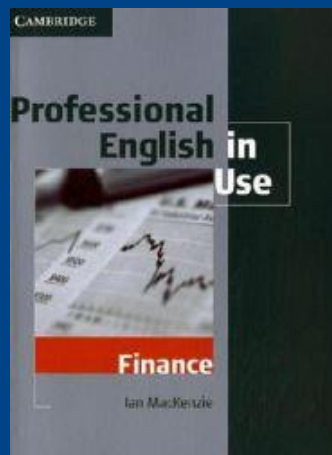
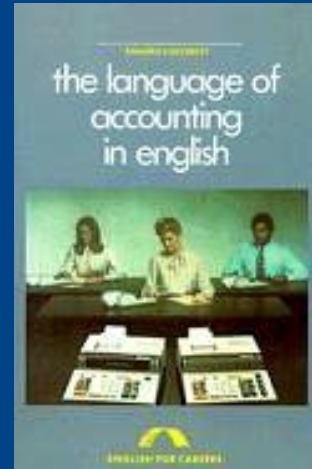
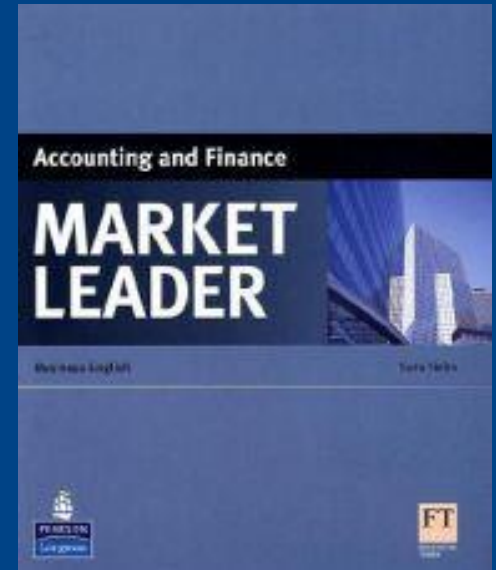
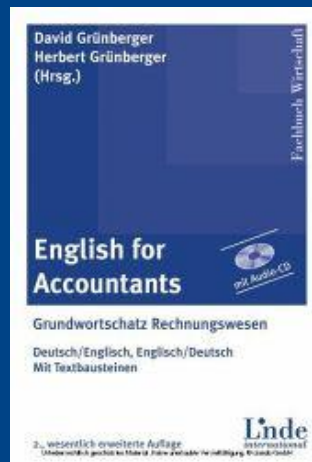
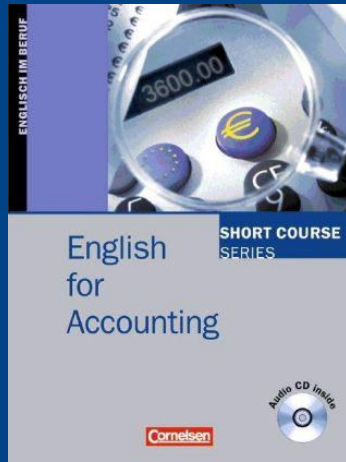
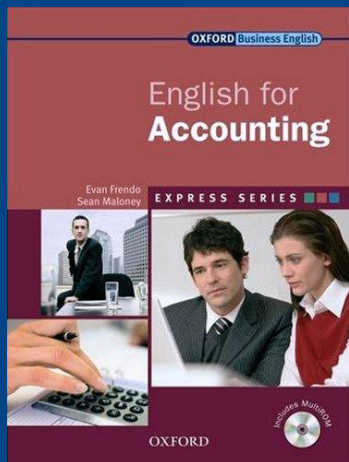
## Do you need foreign language skills in your job?



Source: German Government 2007


n=20,000

figures=%



[Subscribe now!](#)

 [E-mail this page to a friend](#)

 [Add to favorites](#)



## Accounting English

English-learning resources: 1 to 12 of 98

[first](#) [previous](#) [next](#) [last](#)

### Accounting English / Assets

#### Narration: Part One

Resource type: **Narration, with audio**

Level: **Intermediate**

[Open](#)

### Accounting English / Assets

#### Narration: Part Two

Resource type: **Narration, with audio**

Level: **Intermediate**

[Open](#)

### Accounting English / Assets

#### Narration: Part Three

Resource type: **Narration, with audio**

[Open](#)

## Accounting English

- [The Annual Report](#)
- [The Financial Statements](#)
- [The Accounting System](#)
- [The Basic Accounting Equation](#)
- [Assets](#)
- [Liabilities](#)
- [Shareholders' Equity](#)
- [The Accounting Cycle](#)
- [The Accounting Journals and the General Ledger](#)
- [The U.S. Balance Sheet](#)
- [The European Balance Sheet](#)
- [The U.S. Income Statement](#)
- [The European Profit and Loss Account](#)
- [Other Financial Statements](#)
- [Management Accounting](#)
- [Payroll Accounting](#)
- [Budgeting](#)
- [Value Added Tax and Sales Taxes](#)
- [Income Taxes](#)

in this category:

Designed to teach you accounting, bookkeeping, and other vocabulary for financial record keeping, while polishing your grammar skills. Although it's meant for ESL students, it'll be useful to anyone who wants to practice this specialized vocabulary.



### **ACCA in London**

Review the Full ACCA Syllabus Online with a Pass Guarantee.

[exam.LSBF.org.uk/ACCA](http://exam.LSBF.org.uk/ACCA)

AdChoices 

#### **QUESTIONS:**

(Choose the best response for each one)

1. I \_\_\_\_\_ our profits for the previous accounting period.
  - called
  - gathered
  - calculated
2. Your job will be to \_\_\_\_\_ and maintain financial records.
  - promise
  - prepare
  - make
3. An accounting period is a period of time over which \_\_\_\_\_ are calculated.
  - prophets
  - profits
  - profiteering
4. Accounts \_\_\_\_\_ refers to the money that is owed to the company by its clients/customers.
  - receivable
  - receptive
  - respected

Startseite

Gesetze / Verordnungen

Aktualitätendienst

Titelsuche

Volltextsuche

**Translations**

Hinweise

Impressum

Tastenkombinationen

Verwaltungsvorschriften im  
Internet

## Statutes/Ordinances

### [AMG](#)

Medicinal Products Act

Übersetzung durch den Sprachendienst des Bundesministeriums für Gesundheit

Translation provided by the Language Service of the Federal Ministry of Health

### [AO](#)

The Fiscal Code of Germany

Übersetzung durch den Sprachendienst des Bundesministeriums der Finanzen.

Translation provided by the Language Service of the Federal Ministry of Finance.

### [AsylVfG](#)

Asylum Procedure Act

Übersetzung durch den Übersetzungsdienst des Bundesministeriums des Innern. Laufende Aktualisierung durch Neil Mussett.

Translation provided by the Translation Service of the Federal Ministry of the Interior. Translation regularly updated by Neil Mussett.

### [AufenthG](#)

Act on the Residence, Economic Activity and Integration of Foreigners in the Federal Territory Residence Act

Übersetzung durch den Übersetzungsdienst des Bundesministeriums des Innern. Laufende Aktualisierung der Übersetzung durch Daniel C Smith

Translation provided by the Translation Service of the Federal Ministry of the Interior. Translation updated by Daniel C Smith





# Navigation

↗ Tasks FCTO

↘ Tax Law for Investors

▶ General Information

▶ Companies based in Germany

▶ Companies not based in Germany

▶ Individuals resident in Germany

▶ Individuals not resident in Germany

▶ About us

↗ Federal Fiscal Authority

↗ Fiscal Authority Fed. States

↗ Suggestions / Criticism

↗ Who we are

▼ Companies based in Germany

▶ Income tax

▶ Partnerships

▶ Corporation Tax

▶ Solidarity surcharge

▶ Trade tax

▶ Value added tax

▶ Withholding taxes - General

▶ Avoidance of double taxation

▶ Investment grant

▶ Taxes on real property

## Navigation

↗ Tasks FCTO

↘ Tax Law for Investors

▶ General Information

▶ Companies based in Germany

▶ Companies not based in Germany

▶ Individuals resident in Germany

▶ Individuals not resident in Germany

▶ About us

↗ Federal Fiscal Authority

↗ Fiscal Authority Fed. States

↗ Suggestions / Criticism

↗ Who we are

## Service

🗺 Sitemap



A A A

## and Links

## online offers

on the internet  
reements  
try of Finance  
oms

# Training

Seminarprogramm

Best-for-Practice

IFRS Informationen

IFRS Beratung



**AKADEMIE**

FÜR INTERNATIONALE RECHNUNGSLEGUNG



## Accounting English (eLearning)

Selbst wer gut Englisch kann, kommt bei den Fachbegriffen der Rechnungslegung sehr schnell an seine Grenzen. Einerseits, wenn es darum geht, Informationen des Rechnungswesens an internationale Gesellschafter, Kunden oder die Konzernleitung im Ausland zu kommunizieren. Andererseits, beim Lesen der Original-Standards, wenn im Einzelfall noch keine deutsche Übersetzung vorliegt oder – wie bei vielen Interpretationen und ergänzenden Quellen des IASB – gar keine deutsche Übersetzung verfügbar ist.



Sie haben Fragen zu  
Seminaren?  
**0711 / 62 00 749 -70**  
[info\(at\)internationale-  
rechnungslegung.de](mailto:info(at)internationale-rechnungslegung.de)



Zur **Anmeldung** geht's  
hier...

## Ansprechpartner



**Daniela Jesse**  
0711 / 62 00 749 -70  
[jesse\(at\)internationale-  
rechnungslegung.de](mailto:jesse(at)internationale-rechnungslegung.de)

MA

BA



MBA

MTA

# Exams

PET

KET

FCE

CAE

CPE

BULATS

ICFE

ILEC

IELTS

EFB

EFC

SEFIC

PBE

WEFT

TOEIC

TOEFL

FIB

TELC

# ICFE

International Certificate in Financial English



UNIVERSITY of CAMBRIDGE  
ESOL Examinations



# ILEC

International Legal English Certificate



UNIVERSITY of CAMBRIDGE  
ESOL Examinations

**TransLegal**<sup>®</sup>

# The Common European Framework of Reference

## Cambridge English: Financial

C Proficient user	C2
	<b>C1</b>
B Independent user	B2
	B1
A Basic user	A2
	A1



The following are just a few of the international institutions which accept *Cambridge English: Financial*.

Citibank

Sanofi-Aventis

HSBC

Unilever

Ogilvy & Mather

ICI

PricewaterhouseCoopers

London School of Business and Finance

KPMG

Oxford Brookes University

The French Chamber of Commerce

Polish Civil Service

Hong Kong Financial Services Institute

Romanian Banking

Department of Education and Science, Ireland

Danske Bank AS

GlaxoSmithKline (GSK)

Ernst & Young

## Poland

## ICFE

*Cambridge English: Financial*, also known as *International Certificate in Financial English (ICFE)*, is set at Levels B2 and C1 of the Common European Framework of Reference for Languages (CEFR). It is an examination which assesses English language skills in a financial context and is equivalent in level to *Cambridge English: First (FCE)* and *Cambridge English: Advanced (CAE)*.

Successful *Cambridge English: Financial* candidates will have the practical English skills to

- participate in meetings and discussions of a financial nature
- clearly express opinions and argue their case effectively
- produce various texts including financial letters, proposals and memos.

Leading financial companies such as KPMG, Pricewaterhouse Coopers and Ernst & Young have employees who have taken *Cambridge English: Financial*.

Listed below are some examples of organisations which use *Cambridge English: Financial* as proof of English language ability.

Organisation	Type*	Admission Level	ICFE
Ernst & Young - Poland	CO	Unknown	ICFE
Polish Civil Service	Govt	Unknown	ICFE
Akademia Marynarki Wojennej Gdynia	H/F	Unknown	ICFE
Akademia Pedagogiki Specjalnej	H/F	Unknown	ICFE
Akademia Sztuk Pięknych Warszawa	H/F	Unknown	ICFE
Akademia Wychowania Fizycznego w Katowicach	H/F	Unknown	ICFE
Ateneum British Council Gdansk	H/F	Unknown	ICFE
AWF Wrocław	H/F	Unknown	ICFE
Bydgoska Szkoła Wyższa (Wyższa Szkoła Informatyki i Przedsiębiorczości)	H/F	Unknown	ICFE
Dolnośląska Szkoła Wyższa Edukacji TWP	H/F	Unknown	ICFE
Dolnośląska Wyższa Szkoła Przedsiębiorczości i Techniki w Polkowicach	H/F	Unknown	ICFE
Małopolska Szkoła Wyższa w Brzesku	H/F	Unknown	ICFE
NKJO Wrocław	H/F	Unknown	ICFE
NKJO Zakopane	H/F	Unknown	ICFE
Państwowa Wyższa Szkoła Teatralna Kraków	H/F	Unknown	ICFE



# Why?

- ▣ demand
- ▣ USP
- ▣ € \$ £



## The accountancy profession in the UK

The Institute of Chartered Accountants in England & Wales (ICAEW) was established by a Royal Charter in 1880. It has over 130,000 members. Over 15,000 of these members live and work outside the UK. The Institute also has

The Institute is a member of the Consultative Committee of Accountancy Bodies (CCAB), formed in 1974 by the major accountancy professional bodies in the UK and Ireland. The fragmented nature of the accountancy profession in the UK is in part due to the absence of any legal requirement for an accountant to be a member of one of the many institutes. This is because the term accountant does not have the same legal protection in the United Kingdom as that given to, say, doctors and lawyers. There are, though, certain legal rights and duties which are available to professionally qualified accountants. For example, individuals who operate in the areas of audit and insolvency must be registered, and only members of certain accountancy bodies (such as the ICAEW) are eligible for such registration. Likewise individuals who describe themselves as 'chartered accountants' must be a member of an accountancy body which holds a Royal Charter, and if working in public practice these chartered accountants must comply with additional regulations such as holding indemnity insurance and submitting to regular and independent inspections.

Until the mid-nineteenth century the role of accountants in England and Wales was restricted to that of bookkeepers in that accountants merely maintained records of what other business people had purchased and sold. However, with the growth of the limited liability company

## Taxes in England

### Income Tax allowances table

Income Tax allowances	2010-11	2011-12	2012-13
Personal Allowance (1)	£6,475	£7,475	£8,105
Income limit for Personal Allowance	£100,000	£100,000	£100,000

Personal Allowance for people aged 65-74<sup>1/2</sup>

Personal Allowance for people aged 75 and over<sup>1/2</sup>

Married Couple's Allowance (born before 6th April 1935 and aged 75 and over)<sup>2/3</sup>

Income limit for age-related allowances

Minimum amount of Married Couple's Allowance

Blind Person's Allowance

- 1 From the tax year 2010-11 the Personal Allowance is reduced where the income is above the £100,000 limit. This reduction applies irrespective of whether the income is above the limit.
- 2 These allowances are reduced where the income is above the limit. For the tax year 2010-11 the Personal Allowance is reduced below the basic Personal Allowance where the income is above the limit.
- 3 Tax relief for the Married Couple's Allowance is given at the rate of 10 per cent.

### Income Tax rates and taxable bands

#### Income Tax rates and taxable bands

Rate	2010-11
Starting rate for savings: 10%*	£0 - £2,440
Basic rate: 20%	£0 - £37,400
Higher rate: 40%	£37,401 - £150,000
Additional rate: 50%	Over £150,000

\* The 10 per cent starting rate applies to savings income only. The 10 per cent starting rate for savings will not apply to dividends. The rates available for dividends are the 10 per cent ordinary dividend additional rate of 42.5 per cent.

## J.P. Morgan Fined Over Subprime Mortgage Securities



NEW YORK – Investment bank J.P. Morgan has settled with the US Securities & Exchange Commission (SEC) over improperly marketing certain complex mortgage-backed security assets near the beginning of the financial crisis. The investment bank will pay \$154 million to the SEC to settle the suit.

The SEC charged that J.P. Morgan improperly marketed certain synthetic CDOs (collateralized debt obligations) to clients, without disclosing that a hedge fund, which was betting against the CDOs, had assisted in picking the assets. 'What J.P.

Morgan failed to tell investors was that a prominent hedge fund that would financially profit from the failure of CDO portfolio assets heavily influenced the CDO portfolio selection. With today's settlement, harmed investors receive a full return of the losses they suffered,' said Robert Khuzami, SEC's head of enforcement.

With the settlement, J.P. Morgan neither denies nor admits to any wrongdoing and the SEC agreed to drop the case. All of the investors in the CDO will obtain reparations to make them whole in the transaction. Subsequent to this settlement, J.P. Morgan also voluntarily gave back \$57 million to some investors that had bought other similar CDOs. The SEC did not bring a lawsuit against J.P. Morgan for marketing that particular instrument.

J.P. Morgan's case is similar to one involving Goldman Sachs, which resulted in a \$550 million settlement.

## Investors should look beyond BRIC countries, says PwC report

(0) A report published by PricewaterhouseCoopers on Tuesday has suggested that investors need to look beyond the BRICs (Brazil, Russia, India and China) for future growth opportunities.

‘The World in 2050: Beyond the BRICs’ report concluded that long-term prospects for China, India and other so-called ‘E7’ economies (Brazil, Mexico, Russia, Indonesia and Turkey) are still upbeat, but looks for the first time at an additional 13 emerging economies, which the firm argues also have the potential to grow significantly faster than the established Organisation for Economic Co-operation and Development (OECD) countries.

(1) \_\_\_\_\_ ‘The global centre of economic gravity is already shifting to China, India and other large emerging economies, and our analysis suggests that this process has a lot further to run.

(2) \_\_\_\_\_ India could grow to almost 90% of the size of the USA by 2050. Brazil seems likely to overtake Japan by 2050 to move into fourth place,

while Russia, Mexico and Indonesia all have the potential to have economies larger than those of Germany or the UK by the middle of this century. But the fastest mover could be Vietnam, with a potential growth rate of almost 10% per annum in real dollar terms.’

(3) \_\_\_\_\_ For example, it suggests that Nigeria, while high risk, has the long-term potential to overtake South Africa to be the largest African economy by 2050. (4) \_\_\_\_\_

However, with the possible exception of Vietnam relative to Turkey, the additional analysis does not change the conclusion from earlier PricewaterhouseCoopers research that the E7 will remain the largest emerging economies through to 2050. Mr Hawksworth explained that:

‘(5) \_\_\_\_\_ In fact, it should prove to be a boost for them through growing income from exports and overseas investments, even as the OECD share of world GDP declines.’

## Accounting and finance in a changing world

1	Developing global professionals	4
2	Establishing the profession worldwide	8
3	International Financial Reporting Standards	12

## Reporting on performance

4	Annual financial statements	16
5	Company performance	20
6	Accounting for banks	24

## Finance and investment

7	Overseas investment	28
8	Start-up capital	32
9	Options trading	36

## Corporate environmental, social and governance issues

10	Green accounting	40
11	Responsible investing	44
12	Corporate governances	48

## Risk management and failure

13	Investment credit rating	52
14	Company insolvency	56
15	Banking – a risky business	60

## Auditing

16	Scary audit jargon	64
17	Auditor liability	68
18	A clean report	72

**BANKING**

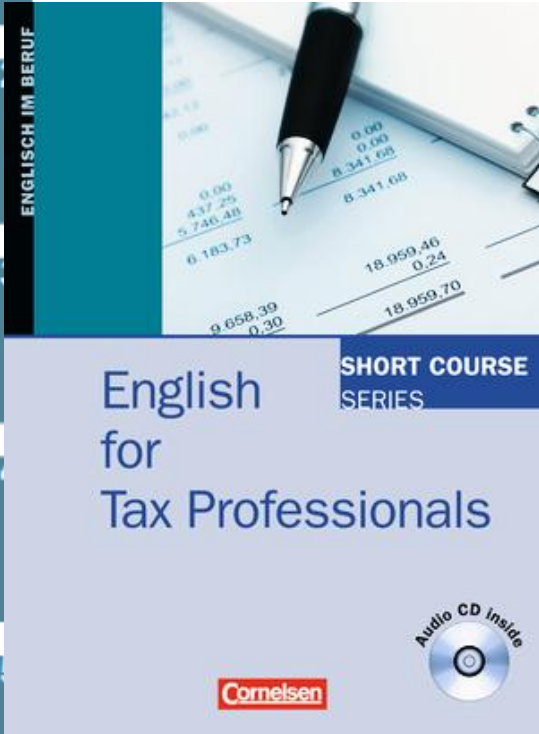
<b>19</b> Personal banking	44
A Current accounts	
B Banking products and services	
C E-banking	
<b>20</b> Commercial and retail banking	46
A Commercial and retail banks	
B Credit	
C Loans and risks	
<b>21</b> Financial institutions	48
A Types of financial institution	
B Deregulation	
C Specialized banks	
<b>22</b> Investment banking	50
A Raising capital	
B Mergers and acquisitions	
C Consulting and research	
<b>23</b> Central banking	52
A The functions of central banks	
B The central bank and the commercial banks	
C Central banks and exchange rates	
<b>24</b> Interest rates	54
A Interest rates and monetary policy	
B Different interest rates	
<b>25</b> Money markets	56
A The money markets	
B Common money market instruments	
C Repos	
<b>26</b> Islamic banking	58
A Interest-free banking	
B Types of accounts	
C Leasing and short-term loans	
<b>27</b> Money supply and control	60
A Measuring money	
B Changing the money supply	
C Monetarism	

**CORPORATE FINANCE**

<b>28</b> Venture capital	62
A Raising capital	
B Return on capital	
<b>29</b> Stocks and shares 1	64
A Stocks, shares and equities	
B Going public	
C Ordinary and preference shares	
<b>30</b> Stocks and shares 2	66
A Buying and selling shares	
B New share issues	
C Categories of stocks and shares	
<b>31</b> Shareholders	68
A Investors	
B Dividends and capital gains	
C Speculators	
<b>32</b> Share prices	70
A Influences on share prices	
B Predicting prices	
C Types of risks	
<b>33</b> Bonds	72
A Government and corporate bonds	
B Prices and yields	
C Other types of bonds	
<b>34</b> Futures	74
A Commodity futures	
B Financial futures	
<b>35</b> Derivatives	76
A Options	
B In-the-money and out-of-the-money	
C Warrants and swaps	
<b>36</b> Asset management	78
A Allocating and diversifying assets	
B Types of investor	
C Active and passive investment	
<b>37</b> Hedge funds and structured products	80
A Hedge funds	
B Leverage, short-selling and arbitrage	
C Structured products	

<b>38</b> Describing charts and graphs	82
A Increase and decrease	
B Rate of change	
C High points, low points, and staying the same	
<b>39</b> Mergers and takeovers	84
A Mergers, takeovers and joint ventures	
B Hostile or friendly?	
C Integration	
<b>40</b> Leveraged buyouts	86
A Conglomerates	
B Raiders	
<b>41</b> Financial planning	88
A Financing new investments	
B Discounted cash flows	
C Comparing investment returns	
<b>42</b> Financial regulation and supervision	90
A Government regulation	
B Internal controls	
C Sarbanes-Oxley	
<b>ECONOMICS AND TRADE</b>	
<b>43</b> International trade	92
A Trade	
B Balance of payments	
C Protectionism	
<b>44</b> Exchange rates	94
A Why exchange rates change	
B Fixed and floating rates	
C Government intervention	
<b>45</b> Financing international trade	96
A Documentary credits	
B Bills of exchange	
C Export documents	
<b>46</b> Incoterms	98
A Transport and additional costs	
B The E and F terms	
C The C and D terms	

<b>47</b> Insurance	100
A Insuring against risks	
B Life insurance and saving	
C Insurance companies	
<b>48</b> The business cycle	102
A Expansion and contraction	
B Fiscal policy	
C Monetary policy	
<b>49</b> Taxation	104
A Direct taxes	
B Indirect taxes	
C Non-payment of tax	
<b>50</b> Business plans	106
A Market opportunities	
B The company, the product and the market	
C The financial analysis	
<b>Language reference</b>	
Market idioms	108
Numbers	
Word stress	
British and American vocabulary	
<b>Answer key</b>	114
<b>Index</b>	132
<b>Acknowledgements</b>	140

PAGE	UNIT TITLE	TOPICS	USEFUL LANGUAGE AND SKILLS
5	<b>1 Introduction to taxation and auditing</b>	What tax advisors do Meeting clients Work, education and training of tax professionals in Germany, the UK and USA	Establishing rapport with clients, greeting them, offering hospitality, making small talk Giving advice
13		<p>...ses</p> <p>...f taxes</p> <p>...nd deductions</p> <p>...t interviews</p>	<p>Arranging an appointment</p> <p>Making phone calls</p> <p>Giving advice</p> <p>Being more or less formal</p>
20		<p>...of the</p> <p>...on</p> <p>...Europe</p>	<p>Advising a freelancer</p> <p>Giving advice on a start-up</p> <p>Explaining corporation and trade tax</p> <p>Calculating trade tax</p> <p>Writing letters</p>
28		<p>...treaties</p> <p>...operation</p>	<p>Giving a presentation</p> <p>Writing faxes</p> <p>Explaining and calculating VAT</p> <p>Chairing and participating in teleconferences</p>
40	<p>Financial statements</p> <p>Internal and external auditing</p> <p>Global accounting trends</p>	<p>Analyzing annual reports</p> <p>Explaining financial statements</p> <p>Reading auditors' reports</p>	
49	<b>6 Auditing in a globalized environment</b>	Corporate governance The Enron scandal Creative accounting Compliance and Sarbanes-Oxley Risky investments	Describing processes, trends and developments Talking about companies and affiliates Holding meetings

**Read and listen to the following dialogue between Martina Jones, a retired UK national living in Germany, and Karl Schenkel, a professional German tax advisor. What small thing does Karl do that creates a good impression on his client?**

*Karl* Ms. Jones, isn't it? My name is Schenkel, Karl Schenkel.

*Martina* Nice to meet you.

*Karl* If you'd like to follow me to my office, please ... is this your first visit to Stralsund, Ms. Jones?

*Martina* Yes, it is, and I like it very much. I've had the chance to look around a bit before coming to your office. I retired last year and decided to move to Rügen after working in the Ruhrgebiet for many years.

*Karl* You've certainly chosen the right place.

*Martina* Rügen is a wonderful island, it's just wonderful.

*Karl* Where are you from originally?

*Martina* I'm from Wales.

*Karl* Another beautiful place.

So, this is my office. Please have a seat, Ms. Jones. May I offer you a cup of tea?

*Martina* I'd love one.

*Karl* With milk, I guess.

*Martina* Of course ... oh, and you even have real milk, what a treat! I was at a law firm the other day, and I had to put evaporated milk in my tea.



**Read and listen to the next part of the meeting and fill in the gaps.**

*Hans* Well, there are two factors you have to consider: social security contributions and **PAYE** or income tax. Both are deducted at source.

*Tim* This means I don't have to pay them myself, but my employer pays them for me?

*Hans* \_\_\_\_\_<sup>1</sup>. Social security has four tiers: **pension** **unemployment** **health** and **long-term care** insurance. These add up to roughly **40%** of your salary, but half of it is paid by

**Listen to the final part of the meeting. What do the following numbers refer to?**

- |   |      |       |   |        |       |
|---|------|-------|---|--------|-------|
| 1 | 20   | _____ | 5 | 8000   | _____ |
| 2 | 40   | _____ | 6 | 10 000 | _____ |
| 3 | 1200 | _____ | 7 | 36 000 | _____ |
| 4 | 1800 | _____ |   |        |       |

yourself and let your employer know which one you have chosen.

*Tim* Is there anything I have to bear in mind when choosing health insurance?

*Hans* \_\_\_\_\_<sup>4</sup>. Most schemes cover the same. There are minor differences when it comes to service and incentives. You can check the internet for a comparison. There's a uniform rate, so what is deducted from your income doesn't depend on the insurance you choose. One fact that you should bear in mind, \_\_\_\_\_<sup>5</sup>, is that there might be additional charges that depend on your insurance company's performance.

## CONVENTION

between the United States of America  
and the Federal Republic of Germany

for the avoidance of double taxation and the prevention of fiscal evasion  
with respect to taxes on income and capital and to certain other taxes

### ARTICLE 28

#### Limitation on Benefits

#### CASE 1

A German company is owned by three persons, each resident in a different third country. The company is engaged in an active manufacturing business in Germany. It has a wholly-owned subsidiary in the United States. The subsidiary is engaged in selling the output of the German parent. The active manufacturing business in Germany is substantial in relation to the activities of the US subsidiary.

Are the subsidiary's interest and dividend payments to its German parent eligible for treaty benefits in the United States?

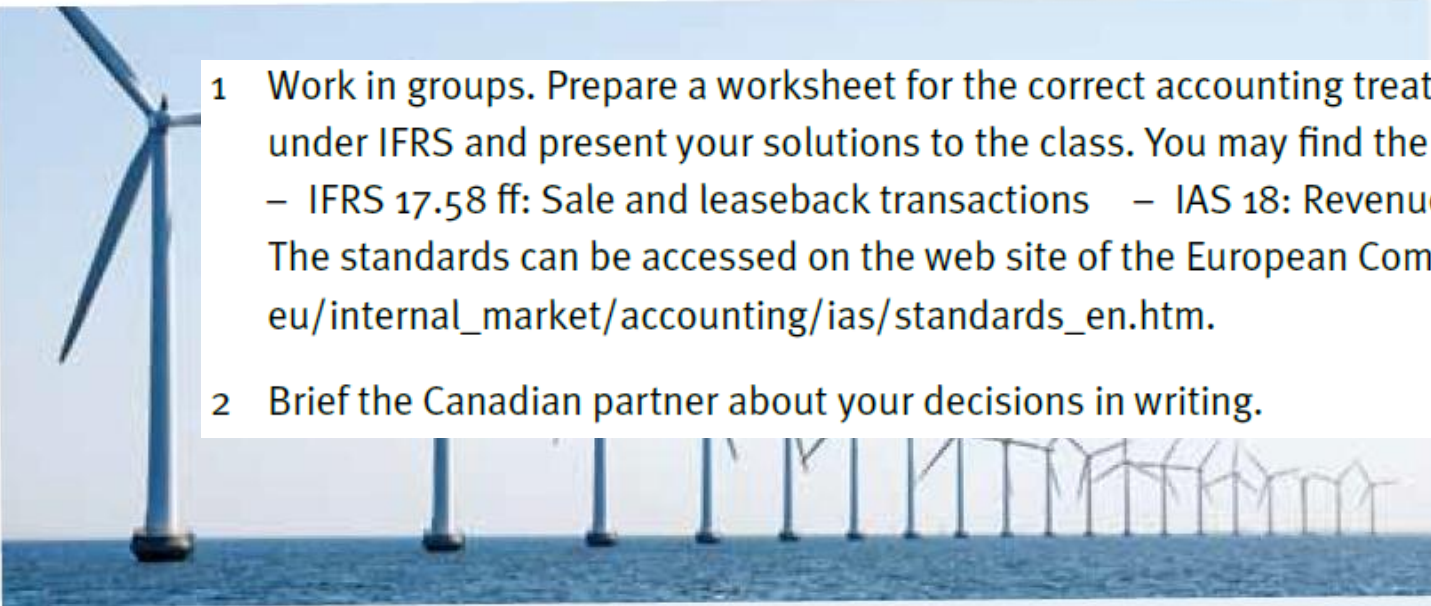
States; and

bb) a person, more than 50 percent of the gross income of which is not used, directly or indirectly, to meet liabilities (including liabilities for interest or royalties) to persons not entitled to benefits of this Convention under subparagraphs a), b), d), or f) or who are not citizens of the United States; or

- f) a not-for-profit organization that, by virtue of that status, is generally exempt from income taxation in its Contracting State of residence, provided that more than half of the beneficiaries, members, or participants, if any, in such organization are persons that are entitled, under this Article, to the benefits of this Convention.



## Case Study: Nordsee Windpark GmbH

- 
- 1 Work in groups. Prepare a worksheet for the correct accounting treatment of this transaction under IFRS and present your solutions to the class. You may find the following IFRS useful:
    - IFRS 17.58 ff: Sale and leaseback transactions
    - IAS 18: Revenue recognitionThe standards can be accessed on the web site of the European Commission: [http://ec.europa.eu/internal\\_market/accounting/ias/standards\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/standards_en.htm).
  - 2 Brief the Canadian partner about your decisions in writing.

Thomas Meyer is assurance assistant at the German branch of an international accounting firm. His current assignment is 'Nordsee Windpark GmbH', a German company. It is the target of a Canadian private equity firm. The most important item of the due diligence audit is a sale and leaseback transaction by NW GmbH. It built an off-shore wind farm costing €8.0 billion. The German company sold it to a leasing bank for €9.8 billion (fair value of the asset) and leased it back immediately for 20 years. The German company accounted the €9.8 billion as revenue and the €8.0 billion as cost, resulting in a profit of €1.8 billion.

## Complete the following IFRS terminology table.

English	German
	Bilanz
	Gesamtergebnisrechnung
	Eigenkapitalveränderungsrechnung
	Kapitalflussrechnung
	Anhang
property, plant and equipment	
intangible assets	
trade and other receivables	
provisions	
revenue	
finance costs	
tax expense	

**Which items are presented in a statement of a) financial position and b) comprehensive income?**

## John Lynch & Alexander Dudziak oHG

Maurer Hubu Rauf Steuerberatungsgesellschaft  
Frau Steuerberaterin Andrea Maurer  
Kurfürstendamm 210  
10719 Berlin

Ruppiner Chaussee 183  
13503 Berlin  
Tel: (030) 5312916  
Fax: (030) 5312917

6 March 20..

### Do the preparation outlined below and draft a well laid-out reply in the name of Andrea Maurer.

- 1 Calculate the tax mentioned in the letter above (no add-backs or deductions, Berlin's trade tax factor is 410%).
- 2 Do some research on tax factors of municipalities near Berlin.
- 3 The consultation fee you are currently charging is € 220 per hour. You would like to retain John as a client, but are not prepared to make a concession to the extent he suggested. Pursue a compromise offering a 10% reduction. Think about how you will present this.
- 4 Check on the form and layout of business letters in the appendix on pages 93–94, then draft your letter.

your firm, but we also have to consider savings on all fronts. You will be aware that there is a wide choice of accountants, and cutting our costs is paramount to us. We were thinking of a reduction of 20%. Please send us your remuneration agreement if you are prepared to accept our proposal.

We look forward to hearing from you.

Yours sincerely

*John Lynch*  
John Lynch

hourly rate *Stundensatz*

paramount *vorrangig*

remuneration agreement *Vergütungs-/*

*Honorarvereinbarung* at once *unverzüglich*

Vocabulary  
assistant



### Calculate the VAT amounts in the following case.

A wholesaler sells printers to a retailer. The sale is worth € 10,000. The VAT rate is 20%. Therefore, the wholesaler charges the retailer € \_\_\_\_\_<sup>1</sup>. The wholesaler should pay € \_\_\_\_\_<sup>2</sup> to the tax authorities, but as it has bought shelves for its warehouse for € 1,000 in the same accounting period, including € 200 VAT, it is only required to pay € \_\_\_\_\_<sup>3</sup> (€ \_\_\_\_\_<sup>4</sup> less € \_\_\_\_\_<sup>5</sup>) to the tax authorities. The authorities receive the € 200 from the supplier of shelving and now get € \_\_\_\_\_<sup>6</sup> making a total of € \_\_\_\_\_<sup>7</sup> – which is the correct amount of VAT due on the sale of the printers.

Supply: € 10,000  
VAT on supply: € \_\_\_\_\_<sup>8</sup>  
VAT on purchases: € \_\_\_\_\_<sup>9</sup>  
Net VAT to be paid: € \_\_\_\_\_<sup>10</sup>

The retailer has paid € 2,000 VAT to the wholesaler and, say, another € 100 VAT on purchasing office furniture. So when the retailer sells the printers for € 20,000 it charges € \_\_\_\_\_<sup>11</sup> including € \_\_\_\_\_<sup>12</sup> VAT. The retailer deducts the € 2,100 it has already paid and pays € \_\_\_\_\_<sup>13</sup> to the tax authorities. The tax authorities receive € \_\_\_\_\_<sup>14</sup> from the retailer plus € \_\_\_\_\_<sup>15</sup> from the wholesaler, plus € \_\_\_\_\_<sup>16</sup> from the supplier of shelving, plus € \_\_\_\_\_<sup>17</sup> from the furniture supplier to the retailer.

Supply: € 20,000  
VAT on supply: € \_\_\_\_\_<sup>18</sup>  
VAT on purchases: € \_\_\_\_\_<sup>19</sup>  
Net VAT to be paid: € \_\_\_\_\_<sup>20</sup>

€ \_\_\_\_\_<sup>21</sup> (paid by the retailer) + € \_\_\_\_\_<sup>22</sup> (paid by the wholesaler) + € \_\_\_\_\_<sup>23</sup> (paid by the supplier of shelving) + € \_\_\_\_\_<sup>24</sup> (paid by the supplier of furniture) = € \_\_\_\_\_<sup>25</sup> or the correct amount of VAT on a sale worth € 20,000.

**Collect some information about VAT in Germany. What are current rates for the goods in the photos? Name some other products and services and their current rates. Are the differences justified?**



## TYPES OF BUSINESSES

Did you know ?

## BOARD OF DIRECTORS

Did you know ?

## TAX PROFESSIONALS IN THE UK AND USA

Did you know? ?

The usual English equivalent of *Steuerberater/in* is 'tax advisor' (also spelled 'tax adviser') or 'tax consultant'. But many native speakers use the term *accountant*. This term is also used for professional auditors, or public accountants, in both the UK (Chartered Accountants) and the US (Certified Public Accountants). There are no formal requirements for giving tax advice or preparing returns in the US. However, only certain professionals, such as attorneys, Certified Public Accountants, Enrolled Agents and Enrolled Actuaries are allowed to act before the tax authorities. Codes of conduct are outlined in a circular. In the UK, there are various professional organizations that set similar standards. For more information, go to:

- [www.tax.org.uk](http://www.tax.org.uk) (Chartered Institute of Taxation – CIOT) (UK)
- [www.att.org.uk](http://www.att.org.uk) (Association of Taxation Technicians – ATT) (UK)
- [www.irs.gov/pub/irs-pdf/pcir230.pdf](http://www.irs.gov/pub/irs-pdf/pcir230.pdf) (Treasury Department Circular 230) (US)

GmbH  
AG

private limited company  
public limited company

privately held corporation  
publicly traded corporation

If you want to distinguish a *Personengesellschaft* from a *Partnerschaftsgesellschaft*, you can refer to the latter as a 'professional partnership'.

# What do you know about accountants in other countries? Read the text and discuss the questions.

## The accountancy profession in the UK

*The Institute of Chartered Accountants in England & Wales (ICAEW) was established by a Royal Charter in 1880. It has over 130,000 members. Over 15,000 of these members live and work outside the UK. The Institute also has some 9,000 students.*

The Institute is a member of the Consultative Committee of Accountancy Bodies (CCAB), formed in 1974 by the major accountancy professional bodies in the UK and Ireland. The fragmented nature of the accountancy profession in the UK is in part due to the absence of any legal requirement for an accountant to be a member of one of the many institutes. This is because the term accountant does not have the same legal protection in the United Kingdom as that given to, say, doctors and lawyers. There are, though, certain legal rights and duties which are available to professionally qualified accountants. For example, individuals who operate in the areas of audit and insolvency must be registered, and only members of certain accountancy bodies (such as the ICAEW) are eligible for such registration. Likewise individuals who describe themselves as 'chartered accountants' must be a member of an accountancy body which holds a Royal Charter, and if working in public practice these chartered accountants must comply with additional regulations such as holding indemnity insurance and submitting to regular and independent inspections.

Until the mid-nineteenth century the role of accountants in England and Wales was restricted to that of bookkeepers in that accountants merely maintained records of what other business people had purchased and sold. However, with the growth of the limited liability company

and large-scale manufacturing and logistics in Victorian Britain, a demand was created for more technically proficient accountants to deal with the increasing complexity of accounting transactions, including depreciation of assets, inventory valuation and company legislation.

To improve their status and combat criticism of low standards, accountants in the cities of Britain formed professional bodies. The ICAEW was formed from the five of these associations that existed in England prior to its establishment by Royal Charter in May 1880.

In 2005 the ICAEW sought to merge with the Chartered Institute of Management Accountants (CIMA) and the Chartered Institute of Public Finance and Accountancy (CIPFA). However, this project proved unsuccessful. The Institute also announced at this time that it was considering dropping the reference to England and Wales in its title to become the Institute of Chartered Accountants. However, this plan was also withdrawn.

The Institute introduced a new syllabus in 2007. In order to make it more appealing to prospective students, the policy of time-barring students has been removed, and the mandatory examinations will become more flexible based on a modular structure. In addition to paper-based assessments, there are now computer-based assessments of objective test questions (multiple choice).

*Source: Wikipedia*

### Over to you

- Is there an equivalent body in your country?
- How is it organized?
- What are its functions?

## J.P. Morgan Fined Over Subprime Mortgage Securities



NEW YORK – Investment bank J.P. Morgan has settled with the US Securities & Exchange Commission (SEC) over improperly marketing certain complex mortgage-backed security assets near the beginning of the financial crisis. The investment bank will pay \$154 million to the SEC to settle the suit.

The SEC charged that J.P. Morgan improperly marketed certain synthetic CDOs (collateralized debt obligations) to clients, without disclosing that a hedge fund, which was betting against the CDOs, had assisted in picking the assets. 'What J.P.

Morgan failed to tell investors was that a prominent hedge fund that would financially profit from the failure of CDO portfolio assets heavily influenced the CDO portfolio selection. With today's settlement, harmed investors receive a full return of the losses they suffered,' said Robert Khuzami, SEC's head of enforcement.

### **Over to you**

- Is there an institution equivalent to the SEC in your country? Does it have the power to impose fines or bring lawsuits?
- Have you heard of other cases, either in your country or abroad, where clients were awarded damages for their bank's wrongdoings?
- What safeguards should be in place to protect individuals from investing in complex financial instruments they may not understand?



What do you know about the much-publicized Enron accounting scandal? Exchange information in class then read the article. What additional things do you find out?

## THE ENRON STORY

In 2000, Enron Corporation was one of the world's leading electricity companies, employing 22,000 people and generating revenues of \$100bn. The company is now known for one of the biggest accounting scandals in history, with vast consequences for international accounting, governing and auditing principles. The company used creative accounting techniques to hide losses and keep debts off its books. After this became public, it went bankrupt within a few months, and its share price plunged from \$95 to below \$1.

In a letter an employee wrote to Enron's CEO in 2001, the accounting treatment of several transactions and deconsolidated special purpose entities was questioned, including the ownership the firm's CFO held in a related entity, the accounting methods applied throughout the group, the adequacy of the public disclosure, and the potential impact on the firm's financial statements. The employee described a 'veil of secrecy' and noted that several senior employees consistently questioned the corporation's accounting methods: 'I am incredibly nervous that we will implode in a wave of accounting scandals. Is there a way our accounting gurus can unwind these deals now? We booked the deals, enjoyed a wonderfully high stock price, many executives sold stock, we then try to reverse or fix the deals and it's a bit like robbing



the bank in one year and trying to pay back two years later. Nice try, but investors were hurt, they bought at \$70 and \$80 dollars looking for \$210 per share and now they're at \$38 or worse.' The management instructed a law firm to investigate the concerns raised, but concluded that no further investigation was necessary.

But the story unfolded as it had to, and the company went bankrupt. It had to unwind nearly 2,400 business entities and 55 special purpose entities. The company's executives and their auditors faced criminal charges; many were sent to prison. The US government as well as Enron itself formed committees that investigated the events and published comprehensive reports. Subsequently, accounting practices of many corporations throughout the United States came under scrutiny. This led to the creation of the Sarbanes-Oxley Act. And it caused the dissolution of one of the largest international accounting firms, Arthur Andersen, which was Enron's auditor.

bankrupt *insolvent* to plunge *abstürzen*

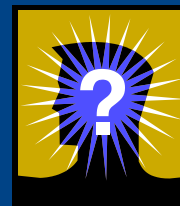
veil *Schleier* to unwind *abwickeln, rückgängig machen*

to be under scrutiny *auf dem Prüfstand stehen* dissolution *Auflösung*

Vocabulary  
assistant



# Can I do it



## Author

VirtualLinguist  
Posts: 5

## Message

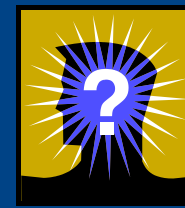
*Thu, 6 Jan 2011 6:05 pm*

Perhaps you could use the charts and diagrams in the textbooks - balance sheets, profit and loss statements, cashflow etc - as she will probably understand when you point to a line and give the English (tax before profit, operating expenses etc). Using bank statements and other realia will be useful, too, to explain credit, debit etc.

You can devise simple exercises when she has a list of specialist vocabulary, eg saying which of the words relate to expenses, which to money coming in to a company. You can have missing-word sentences for her to fill in the blanks - you can use the textbooks as a resource, but rewrite its sentences in a much simpler form.

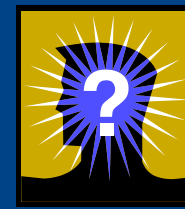
Use a graph from the books, or draw one yourself, to practise verbs - rise, go up, drop, decline, fall etc, and adverbs - quickly, suddenly, rapidly etc, as the graph will illustrate the meaning.

# What do you expect



Trainers have perfect knowledge of their mother tongue, love their country and are eager to pass their knowledge on to our customers. Moreover, they have very good communicative and pedagogical skills, very good manners and are flexible.

# What do you expect



- ▣ native speaker
- ▣ “pedagogical” qualification
- ▣ experience



DEPARTMENT OF FOREIGN AFFAIRS AND TRADE  
BALANCE SHEET  
as at 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash	6A	49,088	28,713
Receivables	6B	498,365	377,026
<i>Total Financial Assets</i>		<u>547,453</u>	<u>405,739</u>
<b>Non-Financial Assets</b>			
Land and buildings	7A,C	1,706,653	1,517,193
Infrastructure, plant and equipment	7B,C	94,549	75,184
Assets held for sale	7D	14,485	1,409
Intangibles	7E	8,892	12,706
Inventories	7F	16,396	20,467
Other non-financial assets	7G	21,174	21,320
<i>Total Non-Financial Assets</i>		<u>1,862,149</u>	<u>1,648,279</u>
<b>Total Assets</b>		<u><b>2,409,602</b></u>	<u><b>2,054,018</b></u>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	8A	78,387	52,527
Other payables	8B	11,053	7,823
<i>Total Payables</i>		<u>89,440</u>	<u>60,350</u>
<b>Interest Bearing Liabilities</b>			
Leases	9A	2,214	2,918
<i>Total Interest Bearing Liabilities</i>		<u>2,214</u>	<u>2,918</u>
<b>Provisions</b>			
Employees	10A	110,403	105,611
Other provisions	10B	8,485	7,985
<i>Total Provisions</i>		<u>118,888</u>	<u>113,596</u>
<b>Total Liabilities</b>		<u><b>210,542</b></u>	<u><b>176,864</b></u>
<b>NET ASSETS</b>		<u><b>2,199,060</b></u>	<u><b>1,877,154</b></u>
<b>EQUITY</b>			
Contributed equity		1,491,462	1,385,519
Reserves		365,169	257,560
Retained surpluses / (accumulated deficit)		342,429	234,075
<b>TOTAL EQUITY</b>		<u><b>2,199,060</b></u>	<u><b>1,877,154</b></u>
<b>Current assets</b>		<b>594,066</b>	<b>438,730</b>
<b>Non-current assets</b>		<b>1,815,536</b>	<b>1,615,288</b>
<b>Current liabilities</b>		<b>194,584</b>	<b>161,011</b>
<b>Non-current liabilities</b>		<b>15,958</b>	<b>15,853</b>

The above statement should be read in conjunction with the accompanying notes.



Time to



wind up



<http://www>

[mustu.de](http://www.mustu.de)

**XING** <

[xing.com/profile/Patrick\\_Mustu](http://xing.com/profile/Patrick_Mustu)